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STATE OF MONTANA

BOARD OF INVESTMENTS

REPORT ON AUDIT

Conducted Under Contract By
Jordahl, Sliter and Bragg, CPA's

Fiscal Year Ended June 30, 1976

OFFICE OF THE LEGISLATIVE AUDITOR
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OVERVIEW

AUDIT OF
BOARD OF INVESTMENTS

February, 1977

The audit of the Board of Investments was a financial-compliance audit. The purposes of the audit were to determine whether the investment transactions of the Board were properly conducted, whether the financial statements for fiscal year 1975-76 were presented fairly and whether the Board complied with applicable State laws and regulations pertaining to investment of State funds.

The audit report discusses investment activities of the Short-Term Investment Pool (STIP) and 34 separate funds managed by the Board. The Board's annual report on investment activities for fiscal year 1975-76 presents separate financial statements for STIP and the Board of Investments (excluding STIP). The audit resulted in a qualified opinion on the STIP financial statements, due to the effect of certain prior period adjustments and because the Legislative Auditor's report for 1975 contained a disclaimer of opinion. The audit of the Board of Investment's Financial Statements (excluding STIP) resulted in a qualification due to the method of valuing securities and a consistency exception since the Board changed its accounting policy from the modified cash basis to the accrual basis of accounting. We support this change to the accrual basis of accounting.

The audit report also distinguishes between the responsibili for the investing functions performed by the Board of Investments and the accounting for these investments as performed by the

Until such a system is operational, it is the reponsibility of the individual agency owning the mortgage to assume the accounting responsibility.

Fidelity Bond Coverage

While all state employees are currently bonded for $1,000,000, there is no additional coverage for Investment Division personnel. It was our recommendation that due to the nature of the work of the Investment Division and potential exposure to the State of Montana, it appeared appropriate that a higher limit of fidelity bond coverage be considered for certain of the Investment Division personnel. The Department of Administration concurred with our recommendation.

Short-Term Investment Pool

The Short-Term Investment Pool has experienced a significant increase in the size of its portfolio and the number of participants during the fiscal year 1975-76. We made four recommendations regarding STIP which are summarized as follows:

1. We recommended that when a unit holder becomes a participant in STIP, that the Investment Division request all unit holders sign an agreement to participate. This agreement would advise the unit holders of the requirements under the law regarding eligibility of participation.

2. We recommended that the accounting policy on gains or losses on security swaps of STIP investments be disclosed in the financial statements or the footnotes thereto.

3. We recommended that the STIP reconciliations be maintained since the STIP clerk has few checks on the records and calculations and that these be reviewed periodically by an Investment Division accountant.

4. All STIP computations were performed manually by one individual with few checks performed. In was recommended in last year's report, and in light of the increased size of STIP, we again recommended that the Investment Division require the data processing capabilities to perform this work. The Department of Administration concurred with all four of our recommendations and specifically indicated that the work would commence this fiscal year on a data processing system for STIP.

PRIOR YEAR RECOMMENDATIONS

The Board of Investments complied with four of the twelve basic recommendations made in the fiscal year 1974-75 audit report and complied with parts of the remaining eight recommendations. These are all discussed in more detail in this report.

CONCLUSION

The Board of Investments and the Department of Administration concur with all of our recommendations. They have already implemented certain of the recommendations and have agreed to take constructive action on the remaining recommendations.

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
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MORRIS L. BRUSETT
LEGISLATIVE AUDITOR

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ADMINISTRATION AND PROGRAM AUDITS
ELLEN FEAVER
FINANCIAL-COMPLIANCE AND CONTRACTED AUDITS

STAFF LEGAL COUNSEL
JOHN W. NORTHEY

January 25, 1977

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Board of Investments for the year ended June 30, 1976.

The audit was conducted by Jordahl, Sliter and Bragg, Certified Public Accountants, under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett, C.P.A.
Legislative Auditor

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APPOINTIVE AND ADMINISTRATIVE OFFICIALS

BOARD OF INVESTMENTS

Maxine C. Johnson, Chairman	January 3, 1977
John MacMillan	January 3, 1977
Dean H. Albert	January 3, 1977
John A. Hauf	January 1, 1979
Paul D. Caruso	January 1, 1979

ADMINISTRATIVE OFFICIALS

Jack C. Crosser	Director, Department of Administration
James R. Howeth	Investment Officer
David J. Brown	Assistant Investment Officer

SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full reply of the Board of Investments is included in the back of this report.

	Page
The Board of Investments comply with all investment purchase statutory requirements.	7
Agency Reply: Concur. See page 92.	
The Department of Administration provide for a professionally designed standard reporting packet to be used for the preparation of the financial statements and annual report and, in light of the growth in the size and activity of the investment portfolio and the continuing emphasis placed on more meaningful financial statements and annual report information, consideration be given to the adequacy and size of the investment division accounting staff.	9
Department of Administration Reply: Concur. See page 92.	
We have submitted to the Investment Division, under separate cover, a letter detailing many of the minor errors which were encountered in our work and recommend that appropriate action be taken to correct such errors.	10
Agency Reply: Concur. See page 92.	
The Department of Administration review more closely the determination of yield figures so that they are reported correctly in the Board of Investments' annual report.	10
Department of Administration Reply: Concur. See page 93.	
The Department of Administration review the comments and recommendations we submitted to the Investment Division by separate letter regarding possible format and/or wording	

Page

changes and that the Department of Administration include the auditors' opinion in the annual report for the benefit of financial statement users. 11

Department of Administration Reply: Concur. See page 93.

The Department of Administration Accounting Division review Investment Division financial information more carefully prior to printing such reports. 11

Department of Administration Reply: Concur. See page 93.

The Department of Administration require the respective agencies to properly account for mortgage loans purchased in the interim period until the Investment Division is able to assume that responsibility. This accounting should be performed to Investment Division specifications. Also, that a formal effort be made by the responsible entity to require compliance of the servicing agent. 12

Department of Administration Reply: Concur. See page 93.

The Department of Administration review the adequacy of fidelity bond coverage for Investment Division personnel and consider the cost and benefits of additional coverage. 13

Department of Administration Reply: Concur. See page 93.

The Department of Administration identify the PMS reports that require programming changes and testing to make them reliable management tools. Should these reports appear to be useful management tools, data processing personnel should be made available to make the necessary changes. 13

Department of Administration Reply: Concur. See page 93.

Develop a formal agreement to participate in the Short-Term Investment Pool, much as other

Page

states have done, and that they request all unit holders sign this agreement to participate. This agreement should advise the unit holders of the requirements under the law regarding eligibility of participation. Also, after the formal agreement has been signed, the unit holders should be contacted periodically regarding eligibility. 14

Agency Reply: Concur. See page 94.

Since the handling of the gain or loss on security swaps of STIP investments is different from the Board of Investments, excluding STIP, that this accounting policy be disclosed in the footnotes to the financial statements and the policy for premiums and discounts should be disclosed. 14

Agency Reply: Concur. See page 94.

Since the STIP clerk has few checks on the records and calculations these reconcilations should be formalized, maintained and reviewed periodically by an Investment Division accountant. 15

Agency Reply: Concur. See page 94.

As recommended in last year's report, we again recommend that the Investment Division require the data processing capabilities to perform this work. 15

Agency Reply: Concur. See page 94.

JORDAHL, SLITER & BRAGG
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INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES
KALISPELL, MONTANA
MISSOULA, MONTANA
BOZEMAN, MONTANA

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the statement of condition of the Board of Investments (excluding the Short-Term Investment Pool) of the State of Montana, including the portfolio of investments, as of June 30, 1976, and the related statements of operations and changes in condition for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including a physical count of all securities held in custody by the State Treasurer and examination of selected mortgages held by servicing institutions. We confirmed all other securities owned at June 30, 1976, with custodial institutions. The financial statements as of June 30, 1975, and for the year then ended, which are presented for comparative purposes, were not examined by us, and accordingly we do not express an opinion on them.

As discussed in Note 2 to the financial statements, the investment in securities is stated at book value ($463,120,236)

instead of market value ($442,301,993) and unrealized gains and losses are not recognized, which is not in accordance with generally accepted accounting principles.

In our opinion, except for the effect of not stating investments at market value and not recognizing unrealized gains and losses, as discussed in the preceding paragraph, the aforementioned financial statements present fairly the condition of the Board of Investments (excluding the Short-Term Investment Pool) at June 30, 1976, and the results of operations and changes in condition for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the effect of the change (with which we concur) from the modified cash basis of accounting to the accrual basis of accounting, discussed more fully in Note 1 to the financial statements.

The accompanying related financial information for the year ended June 30, 1976, listed in the Table of Contents of this report, is not necessary for a fair presentation of the financial statements, but is presented as additional analytical data. This information has been subjected to the tests and other auditing procedures in the examination of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bozeman, Montana
November 30, 1976

Jordahl Sliter & Bragg

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MISSOULA, MONTANA
BOZEMAN, MONTANA

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the statement of condition of the Board of Investments of the State of Montana Short-Term Investment Pool, including the portfolio of investments, as of June 30, 1976, and the related statements of changes in net asset value and income and disbursements for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including a physical count of all securities held in custody by the State Treasurer. We confirmed all other securities owned at June 30, 1976, with custodial institutions. The financial statements for 1975 and 1974, which are presented for comparative purposes, were not examined by us and accordingly we do not express an opinion on them. The financial statements for 1975, as previously presented, were examined and reported on by the Legislative Auditor and such auditor's report contained a disclaimer of opinion due to an audit scope limitation and errors in the accounting records discussed in Note 8 to the financial statements. Additionally, the Board

of Investments' accounting personnel made certain prior period adjustments in the current year, which are discussed more fully in Note 8 to the financial statements, resulting in the restatement of the financial statements for 1975 and 1974.

In our opinion, except for the effect of the prior period adjustments discussed above, the aforementioned financial statements present fairly the condition of the Board of Investments of the State of Montana Short-Term Investment Pool as of June 30, 1976, and the changes in net asset value and income and disbursements for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

The accompanying related financial information for the year ended June 30, 1976, listed in the Table of Contents of this report, is not necessary for a fair presentation of the financial statements, but is presented as additional analytical data. This information has been subjected to the tests and other auditing procedures in the examination of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bozeman, Montana
November 30, 1976

Jordahl Sliter & Bragg

GENERAL

The Board of Investments was created by Section 82A-204 of the Executive Reorganization Act of 1971. The Governor appointed board members who held their first meeting on August 26, 1971, and at that time the Board of Investments began operating and assuming investment functions.

The Investment Division of the Department of Administration performs the day-to-day investment activities and record-keeping functions necessary to implement the actions taken by the Board of Investments. The Board reviews and approves the investment transactions executed by the division and establishes broad policies to guide Investment Division personnel.

Section 79-310, R.C.M. 1947, sets some specific limitations on certain investment funds and types of securities; additionally, the law requires the Board to operate by the Prudent Man Rule which requires it to exercise "that degree of judgment and care, under circumstances from time to time prevailing, which men of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable income to be derived."

Section 82A-204, R.C.M. 1947, states, in part, that "The Board is allocated to the department (of administration) for administrative purposes only as prescribed in Section 82A-108." Section 82A-108 states that an agency assigned to a department shall submit its budget requests and submit reports as required by law or the Governor through its associated department. Additionally, the administering department shall direct and supervise

the budgeting, record-keeping and reporting of the agency; collect all revenues for the agency and deposit them in the proper fund or account; provide the staff for the agency and print and disseminate for the agency any required notices, rules, or orders. We discuss this matter in greater detail under Reporting Authority.

Total investments under the Board of Investments' control, stated at book value, increased 17 percent from the previous fiscal year-end to $626.9 million.

Activity in the Short-Term Investment Pool (STIP) increased again in the 1975-76 fiscal year. The pool, created by legislative action in 1973, expanded from 58 to 92 members, including university units, local governments and state accounts. Pooled investments, at book value, increased from the previous fiscal year-end to approximately $163,800,000 --a 23 percent increase in one year.

The Board has conducted its monthly meetings at sites around the state and has invited local bankers to attend the meetings to familiarize them with the Board's mortgage purchasing and other investment policies. The Board has made a significant effort to purchase Montana mortgages, resulting in purchases of approximately $6,100,000 of mortgages in the current year.

COMPLIANCE WITH SECURITY PURCHASE REQUIREMENTS

During our test of purchases of securities, we noted that in one case the requirement under the provisions of Section 70-310, Revised Codes of Montana, 1947, regarding a minimum current ratio for purchases of commercial paper, had not been met. The requirement under Section 70-310, is a current ratio of 1.5 and in the purchase we tested, it was 1.45. We realize that in some situations the minimum current ratio standard may not be a meaningful criteria for investment purposes; however, compliance must be maintained with statutory requirements.

RECOMMENDATION

WE RECOMMEND THE BOARD OF INVESTMENTS COMPLY WITH ALL INVESTMENT PURCHASE STATUTORY REQUIREMENTS.

REPORTING AUTHORITY AND RECORD KEEPING RESPONSIBLITY

As noted on page 5, the Board of Investments has the sole authority to establish policies for the investment of state funds in accordance with statutory law and the Constitution and the Board is attached to the Department of Administration for administrative purposes only. The Investment Division of the Department of Administration, as established in the Montana Administrative Code, Section 2-2.1-0100, is designated by the Department of Administration to provide administrative services for the Board of Investments. An Executive Reorganization Directive (ERD-1), issued by the Governor on June 25, 1971, sets forth policy statements concerning transfer or allocation of an agency to a department for "administrative purposes only."

The purpose of the directive was to clarify departmental control over administrative functions of the attached agencies, including the hiring of staff to carry out the policies established by the agency. Section 82A-204, R.C.M. 1947, creating the Board of Investments, provides in part: "Personnel for the Board shall be appointed by the department subject to the approval of the Board." Although the Board of Investments has a veto power over the appointment of personnel, the Department of Administration has the appointing authority, and the Board does not have the authority to hire its own staff. Therefore, the administrative functions of the Board of Investments are a duty of the Department of Administration. The Board has the sole authority for the investment of state funds. The Department of Administration has the reponsibility for the accountability over these investments. The staff of the Investment Division is hired

by the Department of Administration and is responsible to that department for all functions not relating to the Board's investment policies.

Executive Reorganization Directive (ERD-1) also states that the department shall "supervise and direct the budgeting, record keeping, reporting and related administrative and clerical functions of the agency." The department shall also supervise the form in which reports required by law or the Governor are submitted. The directive defines "clerical and administrative" functions of an agency as those functions necessary in the execution and implementation of policies established by the agency. These are the normal, day-to-day functions an agency must perform in the course of its operation.

The Department of Administration has the responsibility to perform the record keeping and reporting functions as set forth in ERD-1. This responsibility includes determining the record-keeping procedures used by the Investment Division, the basis of accounting used by the division and the format of the Board of Investments' annual report which is used to provide interested parties a basis for evaluating the results of the Board's investment program.

Because the Department of Administration has this reponsibility, we direct to it our recommendations pertaining to the record keeping and reporting functions resulting from the Board of Investments' activities.

DOCUMENTATION OF ANNUAL REPORT INFORMATION

The Investment Division has taken positive steps to improve the method of reporting, content and quality of the Board of Investments' financial statements and annual report. The most significant of these is the inclusion of the financial statements for the Board of Investments,

excluding STIP, in the annual report, and the change from the modified cash basis of accounting to the accrual basis. This makes the annual report more meaningful and, additionally, places the financial statements on a more acceptable reporting basis.

We noted a number of immaterial errors in the workpapers from which the financial statements were prepared. They did not affect the overall fairness of the financial statement presentation but they do indicate a lack of adequate review. Also, we believe the current working paper format is not structured for ease of review.

The Investment Division has undergone a transition in the methodology of accumulating the data presented in the financial statements and annual report and, in connection with these changes, has not developed a Standard Reporting Packet of workpapers and reconciliations with which to prepare the financial statements and annual report. The adoption of a professionally designed Standard Reporting Packet would allow for the structured flow of information from the various accounting records into the information presented in the financial statements and annual report. Additionally, this would provide a system of documentation that could be more easily understood in the event of a change in personnel.

RECOMMENDATION

WE RECOMMEND THE DEPARTMENT OF ADMINISTRATION PROVIDE FOR A PROFESSIONALLY DESIGNED STANDARD REPORTING PACKET TO BE USED FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND ANNUAL REPORT AND, IN LIGHT OF THE GROWTH IN THE SIZE AND ACTIVITY OF THE INVESTMENT PORTFOLIO AND THE CONTINUING EMPHASIS PLACED ON MORE MEANINGFUL FINANCIAL STATEMENTS AND ANNUAL REPORT INFORMATION, CONSIDERATION BE GIVEN TO THE ADEQUACY AND SIZE OF THE INVESTMENT DIVISION ACCOUNTING STAFF.

MISCELLANEOUS ERRORS

During the course of our work we noted situations where there was an inconsistency in interest rates or maturity dates of securities recorded in the Portfolio Management System Records and some cases where the Purchase Advise numbers were inconsistent.

RECOMMENDATION

WE HAVE SUBMITTED TO THE INVESTMENT DIVISION, UNDER SEPARATE COVER, A LETTER DETAILING MANY OF THE MINOR ERRORS WHICH WERE ENCOUNTERED IN OUR WORK AND RECOMMEND THAT APPROPRIATE ACTION BE TAKEN TO CORRECT SUCH ERRORS.

CALCULATION OF YIELD AND MARKET VALUES

We noted during our review of the annual report information that many of the prior year's errors in reporting yields had been corrected; however, some yields continued to be incorrect in the current year's annual report.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION REVIEW MORE CLOSELY THE DETERMINATION OF YIELD FIGURES SO THAT THEY ARE REPORTED CORRECTLY IN THE BOARD OF INVESTMENTS' ANNUAL REPORT.

FINANCIAL STATEMENTS

During our review of the Board of Investments' annual report, we discussed a number of recommendations and wording changes to the statements; however, the statements were prepared and finalized before the audit was complete. Although our recommendations were not of such a nature that they would materially affect the financial statements, they are suggestions that the Investment Division may want to consider in the future in its continuing effort to make the annual report more meaningful.

The Board of Investments should consider the inclusion of the auditors' opinion as an integral part of the Board of Investments' annual report. Since the Board of Investments is required to have an annual audit, it seems appropriate that the auditors' opinion be a part of its annual report.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION REVIEW THE COMMENTS AND RECOMMENDATIONS WE SUBMITTED TO THE INVESTMENT DIVISION BY SEPARATE LETTER REGARDING POSSIBLE FORMAT AND/OR WORDING CHANGES AND THAT THE DEPARTMENT OF ADMINISTRATION INCLUDE THE AUDITORS' OPINION IN THE ANNUAL REPORT FOR THE BENEFIT OF FINANCIAL STATEMENT USERS.

INVESTMENT DIVISION INFORMATION REPORTED IN THE STATE'S FINANCIAL REPORT

We noted that the State of Montana's Financial Report 1975-76, prepared by the Department of Administration Accounting Division, contained a typographical error on Page 122 in reporting the operating receipts by income/revenue classification of the Short-Term Investment Pool.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION ACCOUNTING DIVISION REVIEW INVESTMENT DIVISION FINANCIAL INFORMATION MORE CAREFULLY PRIOR TO PRINTING SUCH REPORTS.

SERVICING AND ACCOUNTING FOR MONTANA MORTGAGE LOANS PURCHASED

We performed certain compliance tests on selected Montana mortgage loans purchased that are serviced by various financial institutions. In the prior year, the Legislative Auditor noted exceptions to the servicing agreement by servicing agents and we noted the continued existence of similar exceptions during our review.

Three specific exceptions to the servicing agreements were:

1. A loan was behind a year in property taxes.
2. A loan had been paid off in February, 1976, but a balance was reported to us by the servicing agent as of June 30, 1976.
3. A servicing fee was taken twice for one payment.

Additionally, we noted that certain servicing agents were reporting a high delinquency rate. These exceptions indicate a lack of control over the servicing agents by the responsible State entity, and that certain servicing agents were not performing on the servicing agreement.

We also noted that mortgage loans purchased are not individually accounted for by the Investment Division and are not accounted for individually by the agencies for whom these loans were purchased. Because of this, the state is relying on the servicing agent to make proper and timely principal and interest payments. While the formal responsibility to control the accounting over mortgage loans purchased will pass from the respective agency involved to the Investment Division when the mortgage loan software package has been completed and implemented, it is estimated by Investment Division personnel that this transition may not take place for another year. In the meantime, the mortgage loans purchased are not properly accounted for by the State.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION REQUIRE THE RESPECTIVE AGENCIES TO PROPERLY ACCOUNT FOR MORTGAGE LOANS PURCHASED IN THE INTERIM PERIOD UNTIL THE INVESTMENT DIVISION IS ABLE TO ASSUME THAT RESPONSIBILITY. THIS ACCOUNTING SHOULD BE PERFORMED TO INVESTMENT DIVISION SPECIFICATIONS. ALSO, WE RECOMMEND THAT A FORMAL EFFORT BE MADE BY THE RESPONSBILE ENTITY TO REQUIRE COMPLIANCE OF THE SERVICING AGENT.

FIDELITY BOND COVERAGE

All state employees are currently bonded for $1,000,000 and there is no additional coverage for Investment Division personnel. Due to the nature of the work of the Investment Division and the potential exposure to the State of Montana, it appears appropriate that a higher limit of Fidelity Bond Coverage be carried for certain of the Investment Division personnel.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION REVIEW THE ADEQUACY OF FIDELITY BOND COVERAGE FOR INVESTMENT DIVISION PERSONNEL AND CONSIDER THE COST AND BENEFITS OF ADDITIONAL COVERAGE.

PORTFOLIO MANAGEMENT SYSTEM - PMS

The Investment Division uses PMS, a computer software package, as its basic accounting system. This system generates accounting and management reports; however, we understand that the programs for some of these reports require programming changes and testing by data processing personnel in order to make these reports reliable management tools.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION IDENTIFY THE PMS REPORTS THAT REQUIRE PROGRAMMING CHANGES AND TESTING TO MAKE THEM RELIABLE MANAGEMENT TOOLS. SHOULD THESE REPORTS APPEAR TO BE USEFUL MANAGEMENT TOOLS, DATA PROCESSING PERSONNEL SHOULD BE MADE AVAILABLE TO MAKE THE NECESSARY CHANGES.

SHORT-TERM INVESTMENT POOL

The Short-Term Investment Pool (STIP), created by the 42nd Legislative Assembly, experienced a significant increase in the size of the portfolio

and the number of participants in fiscal year 1975-76. As of June 30, 1976, the pool had investments, at book value, of approximately $163,800,000 and 92 participants.

Unit Holders in STIP

When a unit holder initially becomes a participant in the Short-Term Investment Pool, the unit holder is advised of the requirements for an entity to be a participant in the pool under the Revised Codes of Montana, 1947. Subsequent to this, the unit holder is never contacted or again notified regarding the eligibility of the unit holder in STIP.

RECOMMENDATION

WE RECOMMEND THE BOARD OF INVESTMENTS DEVELOP A FORMAL AGREEMENT TO PARTICIPATE IN THE SHORT-TERM INVESTMENT POOL, MUCH AS OTHER STATES HAVE DONE, AND THAT THEY REQUEST ALL UNIT HOLDERS SIGN THIS AGREEMENT TO PARTICIPATE. THIS AGREEMENT SHOULD ADVISE THE UNIT HOLDERS OF THE REQUIREMENTS UNDER THE LAW REGARDING ELIGIBILITY OF PARTICIPATION. ALSO, AFTER THE FORMAL AGREEMENT HAS BEEN SIGNED, THE UNIT HOLDERS SHOULD BE CONTACTED PERIODICALLY REGARDING ELIGIBILITY.

STIP Accounting Policies

Gain or loss on STIP security swaps is being recognized at the time the swap is made and during fiscal year 1975-76, the recognized loss on the sale of investments totalled $111,665 under this method. The accounting policy for premiums and discounts is not disclosed in the annual report.

RECOMMENDATION

WE RECOMMEND THAT SINCE THE HANDLING OF THE GAIN OR LOSS ON SECURITY SWAPS OF STIP INVESTMENTS IS DIFFERENT FROM THE BOARD OF INVESTMENTS, EXCLUDING STIP, THAT THIS ACCOUNTING POLICY BE DISCLOSED IN THE FOOTNOTES TO THE FINANCIAL STATEMENTS AND THE POLICY FOR PREMIUMS AND DISCOUNTS SHOULD BE DISCLOSED.

STIP Reconciliations

The STIP clerk reconciles PMS, SBAS, and STIP records monthly, but these reconciliations are not being retained.

RECOMMENDATION

SINCE THE STIP CLERK HAS FEW CHECKS ON THE RECORDS AND CALCULATIONS THESE RECONCILATIONS SHOULD BE FORMALIZED, MAINTAINED AND REVIEWED PERIODICALLY BY AN INVESTMENT DIVISION ACCOUNTANT.

Short-Term Investment Pool Records

As mentioned in the Legislative Auditor's report last year and also referred to again in this year's report under Prior Year Recommendations, the Short-Term Investment Pool has increased significantly in size and will soon require mechanized daily updates in accounting records and unit computations. At this time all of the STIP computations are done manually by one individual with few checks performed.

RECOMMENDATION

AS RECOMMENDED IN LAST YEAR'S REPORT, WE AGAIN RECOMMEND THAT THE INVESTMENT DIVISION REQUIRE THE DATA PROCESSING CAPABILITIES TO PERFORM THIS WORK.

PRIOR YEAR RECOMMENDATIONS

The Board of Investment has complied with four of the twelve basic recommendations made in the fiscal year 1974-75 audit report and complied with parts of the remaining eight recommendations. Where all parts of the prior year recommendation were not complied with, we discuss below actions taken to date on that recommendation.

RECOMMENDATION

1. REVIEW THE NEED FOR EACH DESPOSITORY BANK.

The Investment Division has indicated the importance of having depository accounts with many banks in the State of

Montana primarily because of the need to compensate banks for processing state warrants. The Investment Division believes it would be difficult to try to eliminate depository banks without some other method of payment for services provided to the State. If the depository bank method is to be used to compensate banks, then the account balances should be maintained at a specified maximum level.

2. ESTABLISH POLICIES FOR MAXIMUM COMPENSATING BALANCES BASED ON IDENTIFIABLE COSTS.

Through a study and review process, the Board of Investments determined that the maximum balance to be maintained in depository banks outside of Helena should be $700,000. The Board of Investments contacted the State Treasurer's office asking that this policy be implemented. The State Treasurer's office responded that they would cooperate in accomplishing this objective; however, no plan of action has been established.

3. ESTABLISH A METHOD OF AUTOMATICALLY TRANSFERRING MONEY IN DEPOSITORY BANK ACCOUNTS BY DIRECT BANK CREDITS.

The request from the Board of Investments to the Treasurer's office requested that the Treasurer's office draw down the checking account balances in State banks on some type of a systematic basis. The Board believed that if it were possible to draw down (by 100 percent) the balances in these banks in the larger towns once a week, and balances in other banks as necessary, this would keep the total state money on deposit in bank checking accounts to a reasonable amount under the circumstances. The response from the State Treasurer's office indicated that the policy of automatically transferring money from the depository bank checking accounts to the Helena clearing bank by direct

wire transfers was no longer a method to which they objected; however, there does not appear to be any indication that this procedure has been implemented.

During our review, we noted that state money deposited in Helena bank checking accounts other than the single clearing bank (and therefore, unavailable for investment) did not decrease. We compared the average daily balances for the three Helena banks commented upon in the 1974-75 auditors' report with the average daily balances during two subsequent test months.

Our test months were November, 1975 and November 1976. The same month was chosen to minimize seasonal fluctuation and November was chosen, since November, 1976, was the last full month for which we could obtain data that was after the presentation of the 1974-75 auditors' report in July, 1976.

The chart below compares average daily checking account balances for three Helena banks with the amounts shown in the 1974-75 auditors' report and two subsequent test months.

STATE MONEY IN CERTAIN HELENA BANK ACCOUNTS

		AVERAGE DAILY BALANCE	
	TEST PERIOD PER 1974-75 REPORT	NOVEMBER, 1975	NOVEMBER, 1976
Bank A	$ 178,679	$ 241,559	$ *
Bank B	$ 578,712	$ 675,531	$ 548,401
Bank C	$ 44,528	$ 44,310	$ 113,650

* This bank became the State clearing bank as of July 1, 1976; consequently, the average daily checking account balance for November, 1976, is not meaningful in this comparison.

Our review indicates that the average daily balances in the checking accounts in the above Helena banks did not decrease. This money was not available for investment purposes.

We recommend that the Board of Investments again consider the need for each depository bank and consider a more objective means of compensating banks for performing services to the State; that the Board of Investments take steps to see that the Treasurer's office establish a reasonable plan of action to maintain the $700,000 maximum cash balances in depository bank checking accounts outside Helena; and that the Board of Investments take steps to see that the Treasurer's office develop and implement, in a timely manner, a method of automatically transferring money in depository bank checking accounts to the clearing bank by direct bank transfers.

RECOMMENDATION

1. REQUIRE THE USE OF AT LEAST TWO DEALER QUOTES THAT REPRESENT FAIRLY THE MARKET VALUE OF THE STIP PORTFOLIO ON A DAY-TO-DAY BASIS.

   In the valuation of the STIP portfolio, the Investment Division is using at least two dealer quotes wherever this is possible. The policy that is currently being followed is disclosed in the Notes to STIP Financial Statements.

2. ESTABLISH A PROPERLY SUPERVISED DOUBLE ENTRY ACCOUNTING SYSTEM FOR STIP.

   Although the accounting system for STIP is not maintained on the conventional double entry basis, they are performing additional procedures such as reconciling the information with SBAS and PMS, which are double entry accounting systems, to give assurance that the information in this system is in fact reliable. The Investment Division is attempting to develop a computer software package to account for STIP transactions and at the time this is

accomplished the double entry accounting system for STIP could be implemented.

3. PREPARE FINANCIAL STATEMENTS WHICH WILL FAIRLY PRESENT THE ACTIVITY AND CONDITION OF STIP.

The Investment Division made changes in the financial statement format and corrections to the STIP financial statements presented for prior years as more fully explained in the Notes to STIP Financial Statements. The purpose of this effort was the preparation of financial statements which would fairly present the activity and financial condition of STIP.

RECOMMENDATION

1. IMPLEMENT A SERVICING AGREEMENT BETWEEN THE BOARD AND ALL SERVICING INSTITUTIONS ON BEHALF OF PUBLIC EMPLOYEES' RETIREMENT SYSTEM, TEACHERS' RETIREMENT SYSTEM, AND WORKERS' COMPENSATION.
2. PROVIDE FOR THE SERVICING OF SBA LOANS IN A PARTICIPATION AGREEMENT.
3. PROVIDE FOR INDEPENDENT APPRAISALS FOR CONVENTIONAL LOANS IN A REVISED SERVICING AGREEMENT.
4. REQUIRE MORTGAGE SERVICERS TO REMIT PAYMENTS TO THE STATE IN A MORE TIMELY MANNER.

A new servicing agreement has been devised and mailed to certain servicing institutions by the Investment Division for their review and comment. The servicing institutions were to have their comments back to the Board of Investments by November 15, 1976; however, as of that date not all responses had been received and the new target date for receiving all responses from the servicing institutions is January, 1977. The Board plans to resolve any differences and implement a new servicing agreement between the Board and all servicing institutions to comply with the recommendations summarized above.

RECOMMENDATION

1. WORK WITH THE INVESTMENT DIVISION TO OPERATE PMS ON A MORE TIMELY PRODUCTION SCHEDULE.

   Currently, the Investment Division is operating PMS on a timely production schedule with a current effort to produce month-end reports within ten days after the close of business.

2. DEVELOP SOFTWARE TO ACCOUNT FOR STIP TRANSACTIONS.

   The Board is extremely interested in developing a software program to account for the STIP transactions since the annual growth in the STIP Program is quite significant and the number of computations and amount of detail involved in maintaining this program is growing more substantial every year. The programming efforts have stopped; however, the Board of Investments is considering obtaining an outside consultant to assist in the design and implementation of the necessary software package.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION REQUIRE THE CORRECTION OF YIELD ERRORS IN PMS AND ADEQUATELY REVIEW ALL INFORMATION PRIOR TO PRESENTATION IN THE BOARD OF INVESTMENTS ANNUAL REPORT.

The Investment Division has made a concerted effort to correct yield errors and other information prior to the presentation of the Board of Investments' annual report. We noted during our work, however, that some errors continued to exist in the annual report which is discussed more fully under Calculation of Yield and Market Values.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION INCLUDE IN THE BOARD OF INVESTMENTS' ANNUAL REPORT, FINANCIAL STATEMENTS SUMMARIZING THE INVESTMENT PROGRAM'S YEAR-END FINANCIAL POSITION, THE RESULTS OF THE YEAR'S INVESTMENT TRANSACTIONS AND ACTIVITIES, AND THE CHANGES IN INVESTED BALANCES FOR EACH INVESTING FUND.

The financial information included in the Board of Investments' Annual Report for the fiscal year-ended 1975-76 included financial statements summarizing the investment program's year-end financial position, the results of the year's investment transaction activities and the changes in invested balances for the Board of Investments and for STIP. The Investment Division does not believe that the benefit to be derived from showing "each investing fund" would be sufficient to justify the additional cost required to present such information.

RECOMMENDATION

1. CONSIDER AMORTIZED PORTIONS OF PREMIUMS AND DISCOUNTS IN CALCULATING QUARTERLY DISTRIBUTABLE INCOME.

   The Department of State Lands advised us that this policy is now being followed and was done for the first time with the quarterly distribution at the end of September, 1976.

2. REPLACE OVERDISTRIBUTED PERMANENT FUNDS BY THE AMORTIZATION METHOD PROPOSED BY THE BOARD OF INVESTMENTS.

   The Department of State Lands is currently in the process of redetermining the amount of overdistributed permanent funds to be replaced.

3. ESTABLISH PROPER ACCOUNTING FOR LOSSES INCURRED ON SECURITY EXCHANGES.

The information relating to the proper accounting for losses incurred on property exchanges is now being communicated to the Department of State Lands by the Investment Division.

4. REQUEST ASSISTANCE FROM THE DEPARTMENT OF ADMINISTRATION IN DESIGNING AN ADEQUATE ACCOUNTING SYSTEM FOR DETERMINING PROPER DISTRIBUTABLE INCOME.

   The Department of State Lands has hired an accountant, as discussed below, and this accountant will be involved in determining the accounting system requirements.

5. REQUEST TIMELY JOURNAL ENTRIES AND NECESSARY ACCOUNTING DATA FROM THE INVESTMENT DIVISION TO ALLOW PROPER QUARTERLY DISTRIBUTION.

   The Department of State Lands has this information available.

6. SEEK ASSISTANCE FROM A PROFESSIONAL ACCOUNTANT IN ACCUMULATING DATA WHICH PROVIDES THE BASIS FOR QUARTERLY DISTRIBUTIONS.

   The Department of State Lands recently hired an accountant who is currently working on accumulating the necessary data to provide the basis for quarterly distributions.

7. PREPARE QUARTERLY DISTRIBUTIONS CURRENTLY PREPARED BY THE STATE TREASURER'S OFFICE.

   This was done by the Department of State Lands for the first time as of the end of September, 1976.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION ESTABLISH ACCOUNTING CONTROL OVER MORTGAGE INVESTMENTS AND MORTGAGE INCOME AND ASSUME ALL MORTGAGE COLLECTION FUNCTIONS NOW PERFORMED BY THE INVESTING AGENCIES.

The Department of Administration has been working closely with the Housing Authority in developing a mortgage accounting

system and recently entered into a systems engagement for the express purpose of establishing better accounting control over mortgage investments.

Upon completion of the systems engagement and complete implementation of the system, the Department of Administration will assume all mortgage collection functions.

Final Comments

We have reviewed the comments and recommendations contained in this report with the members of the Board of Investments, the Director and Investment Officer of the Department of Administration. The full texts of their responses to this report begin on page 92.

We wish to express our appreciation to these officials and their respective staffs for their cooperation and assistance during this audit.

FINANCIAL STATEMENTS

STATEMENT OF CONDITION
EXCLUDING THE
SHORT-TERM INVESTMENT POOL

	YEAR ENDED JUNE 30	
	1976	1975
ASSETS MANAGED:		
Investments in Securities at Book Value	$ 463,120,236	$ 404,456,577
Net Deferred Losses on Bond Swaps	7,539,265	7,403,932
Dividends and Interest Receivable	7,020,869	5,9[illegible]
Interest Purchased Receivable	161,055	110,704
NET ASSETS MANAGED FOR AGENCIES	$ 477,832,425	$ 417,8[illegible]

STATEMENT OF OPERATIONS
EXCLUDING THE
SHORT TERM INVESTMENT POOL
FOR THE YEAR ENDED JUNE 30, 1976

Investment Income:	
Rent	$ 31,931
Dividends	663,293
Interest	30,505,215
Realized Gain (Loss) from Sales of Investments	659,943
	$ 31,860,382
Less:	
Administrative Expenses	$ 77,012
Trust & Legacy Fund Portfolio Cost Adjustment	90,865
Net Deferred Losses Realized	1,013,753
NET INVESTMENT INCOME	$ 30,678,747

STATEMENT OF CHANGES IN CONDITION
FOR YEAR ENDED JUNE 30, 1976

Net Assets Managed, July 1, 1975		$ 417,873,281
Net Investment Income	$ 30,678,747	
Income Received by Agencies	(29,559,896)	
Increase in Income Receivable		1,118,851
Interest Purchased During the Year	$ 357,107	
Interest Purchased Collected	(306,756)	
Increase in Interest Purchased		50,351
Net Losses Deferred During the Year	$ 1,140,041	
Net Deferred Losses Realized	(1,013,758)	
Increase in Net Deferred Losses on Bond Swaps		126,283
Increase in Book Value by Accrual of Premiums and Discounts		705,899
Securities Transferred		881,313
Security Purchases	$5,538,721,188	
Security Sales and Maturities	(5,481,644,741)	
Increase by Securities Purchased		57,076,447
NET ASSETS MANAGED, June 30, 1976		$ 477,832,425

SHORT-TERM INVESTMENT POOL
STATEMENT OF CONDITION

	YEARS ENDED JUNE 30		
	1976	1975	1974
Cash	$ 23,929	$ 16,260	$ 215,935
Interest Receivable	2,067,128	1,396,255	1,769,897
Investments at Market	165,076,233	133,767,305	85,080,467
TOTAL ASSETS	$ 167,167,290	$ 135,180,320	$ 87,065,299
Accrued Expenses	(19,808)	(14,146)	(47,964)
VALUE OF UNITS	$ 167,147,482	$ 135,166,174	$ 87,017,335
Income Due Participants	(1,061,319)	(1,001,041)	(601,301)
NET ASSET VALUE	$ 166,086,163	$ 134,165,133	$ 86,416,034
UNITS OUTSTANDING	163,360	132,748	85,763
UNIT VALUE	$1,023.18	$1,018.22	$1,014.63

SHORT-TERM INVESTMENT POOL
STATEMENT OF CHANGES IN NET ASSET VALUE

	YEARS ENDED JUNE 30		
	1976	1975	1974
BEGINNING NET ASSET VALUE	$ 134,165,133	$ 86,416,034	$ —0—
Units Purchased by Participants	86,947,935	65,966,591	96,100,949
Increase in Unrealized Appreciation	883,578	299,429	88,222
Units Sold by Participants	(55,910,483)	(18,516,921)	(9,773,137)
ENDING NET ASSET VALUE	$ 166,086,163	$ 134,165,133	$ 86,416,034

SHORT-TERM INVESTMENT POOL
STATEMENT OF INCOME AND DISBURSEMENTS

	YEARS ENDED JUNE 30		
	1976	1975	1974
Income:			
Interest Income	$ 10,942,706	$ 10,234,576	$ 4,999,709
Realized Profit (Loss) on Sale of Investments	(111,665)	59,375	53,733
	$ 10,831,041	$ 10,293,951	$ 5,053,442
Administrative Expenses	191,006	141,433	111,836
NET INCOME	$ 10,640,035	$ 10,152,518	$ 4,941,606
Add:			
Earnings Purchased by Participants	1,617,749	975,865	1,018,001
Undistributed Income, Beginning of Year	1,001,041	601,301	—0—
INCOME AVAILABLE FOR DISTRIBUTION	$ 13,258,825	$ 11,729,684	$ 5,959,607
Distributions:			
Income Earned on Units Sold	$ 959,679	$ 534,445	$ 117,022
November Distribution	5,264,486	5,197,606	1,532,369
May Distribution	5,973,311	4,996,592	3,678,834
TOTAL DISTRIBUTIONS	$ 12,197,506	$ 10,728,643	$ 5,358,396
INCOME DUE PARTICIPANTS, END OF YEAR	$ 1,061,319	$ 1,001,041	$ 601,301

SCHEDULE A
SOURCE OF INVESTMENTS

Other Retirement Funds:	74-75	75-76
Highway Patrol Retirement Fund	$ 2,961,776	$ 3,501,415
Statewide Police Reserve Fund	—0—	3,389,000
Sheriffs' Retirement Fund	1,624,170	2,175,674
Game Wardens' Retirement Fund	1,576,575	1,741,599
Montana Judges' Retirement Fund	1,244,847	1,437,113
TOTAL	$ 6,787,368	$ 12,244,810

Various University Funds:	74-75	75-76
Experiment Station Fund	$ 550,600	$ 622,110
E.M.C. Trust Fund	—0—	366,649
M.C.M.S.T. Unexpended Plant Fund	—0—	319,541
M.S.U. Nacubo Fund	—0—	311,648
E.M.C. Current Designated Fund	—0—	253,283
AES Restricted Fund	—0—	189,053
M.S.U. Current Restricted Fund	—0—	185,323
M.S.U. Endowment Fund	—0—	153,543
M.S.U. Auxiliary Enterprises Fund	—0—	141,555
M.C.M.S.T. Current Restricted Fund	—0—	117,473
U.M. Field House Fund	114,477	114,708
E.M.C. Nacubo Agency Fund	—0—	109,215
U.M. Fund to Retire Debt	—0—	100,293
M.C.M.S.T. Endowment Fund	—0—	93,387
M.C.M.S.T. Loan Fund	—0—	92,[illegible]99
N.M.C. Nacubo Agency Fund	—0—	68,486
M.C.M.S.T. Agency Fund	—0—	30,680
M.S.U. Unexpended Plant Fund	—0—	29,416
N.M.C. Current Designated Student Fund	—0—	29,118
No. Mt. Branch Station Fund	21,257	28,375
E.M.C. Auxiliary Enterprises Fund	—0—	27,258
M.S.U. Phys. Ed. Fund	141,901	24,350
N.M.C. Series B Fund	23,852	23,906
U.M. Swimming Pool Fund	18,918	20,299
M.C.M.S.T. Auxiliary Enterprises Fund	—0—	18,310
Experiment Station-Fertilizer Fund	29,356	18,268
M.C.M.S.T. Current Designated Fund	—0—	14,193
N.M.C. Endowment Fund	—0—	5,025
M.S.U. Current Designated Fund	—0—	5,000
Experiment Station-Agriculture Fund	4,044	3,033
N.M.C. Fund to Retire Debt	—0—	2,034
N.M.C. Current Restricted Fund	—0—	1,005
M.S.U. Student Housing Fund	271,011	—0—
U.M. Building Fund	102,317	—0—
N.M.C. Housing & Dining Fund	102,017	—0—
TOTAL	$ 1,379,750	$ 3,519,[illegible]

Livestock Funds:	74-75	75-76
Livestock Commission Fund	$ 319,158	$ 320,278
Livestock Board-Emergency Fund	132,410	83,961
TOTAL	$ 451,868	$ [illegible]

Other Funds:	74-75	75-76
Highway Complex Headquarters Fund	$ —0—	$ 7,317,[illegible]4
Resource Indemnity Fund	3,279,661	5,542,021
Local Impact Fund	—0—	3,702,[illegible]
Trust Contractors' License Refund	2,798,281	3,611,[illegible]
Educational Trust Fund	—0—	2,174,[illegible]
Subsequent Injury Fund	[illegible]	981,412
Land & Resource Development Fund	581,176	679,294
Renewable Resources Dev. Fund	—0—	557,697
Coal Tax Park Fund	—0—	278,150
Montana Rural Rehab. Fund	—0—	172,793
Donable Property Fund	72,279	83,370
Wheat Research Fund	75,732	79,798
Occupational Disease Fund	83,634	64,213
Capitol Building Fund	97,766	48,[illegible]3
Oil & Gas Fund	47,957	47,957
Board of Certification Fund	14,036	14,097
Water Well Fund	8,000	8,[illegible]
Cosmetology Board Fund	4,894	4,932
Sanitarians Registration Fund	2,015	2,015
T.R.S. Minnie Fullam Fund	1,013	1,013
TOTAL	$ 7,625,493	$ 25,321,591

Other STIP*:	74-75	75-76
Fergus County Treasurer	$ —0—	$ 4,450,837
Rosebud County Treasurer	—0—	3,562,653
City of Helena Parking Bond Proceeds	—0—	3,040,706

(continued next page)

SCHEDULE A (continued)

City of Helena	1,426,707	1,212,925
Culbertson Hospital Fund	—0—	886,653
City of Missoula	302,334	791,565
Stillwater County Treasurer	—0—	600,231
Lincoln County Treasurer	—0—	592,784
Great Falls Fire Dept. Relief Assoc.	365,724	550,450
Missoula Fire Dept. Relief Assoc.	305,589	508,373
Billings Fire Dept. Relief Assoc.	214,415	469,555
Daniels County Treasurer	—0—	424,475
Missoula County Treasurer	486,647	296,504
City of Glendive	—0—	294,694
Town of Chester	606,091	263,354
Helena Fire Dept. Relief Assoc.	97,323	259,544
Bozeman Fire Dept. Relief Assoc.	—0—	255,202
Kalispell Fire Dept. Relief Assoc.	181,621	253,394
Yellowstone County Treasurer	—0—	219,509
Sanders County Treasurer	59,978	213,493
City of Great Falls	209,823	209,849
Butte Fire Dept. Relief Assoc.	54,653	181,096
City of Scobey	71,911	171,533
Miles City Fire Dept. Relief Assoc.	—0—	120,836
City of Butte	—0—	109,426
Glendive Fire Dept. Relief Assoc.	16,122	92,528
Lake County Treasurer	85,906	85,906
Liberty County Treasurer	19,209	66,311
City of Kalispell	—0—	65,421
Hill County Treasurer	—0—	62,136
Havre Fire Dept. Relief Assoc.	35,703	58,936
Powell County Treasurer	—0—	57,394
Roosevelt County Treasurer	—0—	56,216
Dawson County Treasurer	—0—	56,132
Lewistown Fire Dept. Relief Assoc.	—0—	54,867
Park County Treasurer	—0—	53,883
Sheridan County Treasurer	—0—	52,056
Anaconda Fire Dept. Relief Assoc.	44,884	44,884
Livingston Fire Dept. Relief Assoc.	30,476	40,671
Beaverhead County Treasurer	—0—	39,844
Granite County Treasurer	—0—	36,206
Meagher County Treasurer	29,410	29,410
Broadwater County Treasurer	29,079	29,079
Valley County Treasurer	—0—	20,186
Lewis & Clark County Treasurer	—0—	19,194
Madison County Treasurer	—0—	10,092
Ravalli County Treasurer	—0—	9,136
Teton County Treasurer	—0—	7,140
City of Choteau	—0—	5,103
Choteau Schools Student Activity Fund	—0—	5,078
Montana State University	4,349,844	—0—
University of Montana	1,547,261	—0—
Eastern Montana College	1,087,962	—0—
College of Mineral Science & Technology	305,063	—0—
City of Lewistown	188,276	—0—
Northern Montana College	146,838	—0—
Lewistown Police Officers Ret. Fund	111,929	—0—
Helena Police Officers Ret. Fund	72,396	—0—
Mineral County Treasurer	30,368	—0—
TOTAL	$ 12,513,452	$ 21,003,550

*County and city funds outside the control of the State of Montana.

SCHEDULE B
TYPE OF INVESTMENTS

OTHER	1974-1975	1975-1976
Statewide Police Reserve Fund:		
City of Havre City Hall Bonds	$ —0—	$ 50,000
PERS:		
ESC Building Revenue Bond	1,254,655	1,178,756
Building and Land	153,011	156,249
TRS:		
Building and Land	174,050	170,087
Workers' Compensation:		
U.C.C. Bonds	97,000	55,000
TOTAL	$ 1,678,716	$ 1,610,092

SCHEDULE C
INVESTMENT INCOME 1975-76 FISCAL YEAR

	CASH	CURRENT AMORTI-ZATION	STIP INCOME	NET DEFERRED LOSSES	MODIFIED INCOME	ACCRUED INCOME	75-76 INCOME
Treasurer's Fund	$ 3,361,251	$ (2,554)	$ 7,243,629	$	$ 10,602,326	$ (144,289)	$ 10,458,037
Public Employees' Retirement System Fund	9,073,762	100,177		(22,245)	9,151,694	489,828	9,641,522
Teachers' Retirement System Fund	7,588,813	143,595		(19,422)	7,712,986	363,393	8,076,379
Trust & Legacy Fund	4,980,908	401,840		(914,580)	4,468,168	75,222	4,543,390
Workers' Compensation Fund	2,651,358	50,625		(53,502)	2,648,481	225,192	2,873,673
Long Range Building Fund	67,754	2,712	758,437		828,903	(3,969)	824,934
Common School Interest & Income Fund	199,160		386,834		585,994	(4,925)	581,069
Social Security Fund	457,389	1,216			458,605	(13,203)	445,402
Resource Indemnity Fund	264,787	639	18,012		283,438	38,344	321,782
Long Range Building Sinking Fund	262,793				262,793	(3,558)	259,235
Highway Patrol Retirement Fund	222,611	3,744	11,220	(3,298)	234,277	16,586	250,863
Statewide Police Reserve Fund	23,522		176,924		200,446	12,184	212,629
Trust Contractors' License Refund	176,186				176,186	(3,276)	172,910
M.S.U. Current Unrestricted Fund			162,882		162,882		162,882
Federal Revenue Sharing Fund			146,117		146,117	(15,091)	131,026
Game Wardens' Retirement Fund	107,957	373	4,929	(599)	112,660	6,761	119,421
U.M. FPGA Fund			104,911		104,911		104,911
Hail Insurance Fund	62,248	(21)	42,264		104,491	(916)	103,575
Montana Judges' Retirement Fund	89,621	270	7,388		97,279	4,430	101,709
Sheriffs' Retirement Fund	81,374	232	12,503		94,109	16,365	110,474
Volunteer Fireman's Fund	89,088	382	972	(81)	90,321	8,175	[illegible]
Experiment Station Fund			55,130		55,130	(181)	54,949
M.S.U. Nacubo Fund	1,731		51,562		53,293	1,785	55,078
Subsequent Injury Fund	48,987	285	3,203		52,475	6,130	58,605
Lands & Resource Development Fund			43,959		43,959	19	43,978
Local Impact Fund			42,117		42,117	18,105	60,222
E.M.C. Current Designated Fund			40,216		40,216	1,635	41,851
Educational Trust Fund			24,612		24,612	12,078	36,690
AES Restricted Fund			24,161		24,161	967	25,128
Livestock Commission Fund	7,735	821	12,403		20,959	(180)	20,779
Highway Complex Headquarters Fund			19,054		19,054	46,114	65,168
E.M.C. Nacubo Agency Fund			16,917		16,917	674	17,591
M.C.M.S.T. Unexpended Plant Fund			15,863		15,863	2,051	17,914
E.M.C. Auxiliary Enterprises Fund			12,141		12,141	175	12,316
M.S.U. Married Student Housing Fund	11,650				11,650	(1,033)	10,617
Capitol Building Fund	8,231	1,102			9,333	(292)	9,041
E.M.C. Trust Fund	9,107	155			9,262	3,687	12,949
M.S.U. Auxiliary Enterprises Fund			8,885		8,885	727	9,612
M.S.U. Endowment Fund			8,488		8,488	974	9,462
M.S.U. Current Restricted Fund	5,769		2,203		7,972	570	8,542
U.M. Fund to Retire Debt			7,643		7,643	(119)	7,524
U.M. Field House Fund	7,487	141			7,628	(718)	6,910

SCHEDULE C (continued)

	CASH	CURRENT AMORTI-ZATION	STIP INCOME	NET DEFERRED LOSSES	MODIFIED INCOME	ACCRUED INCOME	75-76 INCOME
Renewable Resources Dev. Fund	$	$	$ 7,579	$	$ 7,579	$ 3,356	$ 10,935
M.S.M.S.T. Loan Fund			6,737		6,737	591	7,328
M.C.M.S.T. Endowment Fund			6,235		6,235	597	6,832
Donable Property			5,818		5,818	(3)	5,815
Montana Rural Rehab. Fund			5,801		5,801	1,103	6,904
N.M.C. Auxiliary Enterprises Fund			5,512		5,512		5,512
Wheat Research Fund			5,508		5,508	(57)	5,451
Coop Ext. Service Restricted Fund			4,893		4,893		4,893
E.M.C. FPGCA Fund			4,766		4,766		4,766
Dixon Endowment Fund	3,840				3,840		3,840
Oil & Gas Fund			3,481		3,481	(50)	3,431
Coal Tax Park Fund			3,328		3,328	1,676	5,004
N.M.C. Housing & Dining Fund	2,964				2,964	(2,027)	937
M.S.U. Current Designated Fund	192		2,673		2,865	11	2,876
M.S.U. Phys. Ed. Fund	2,714				2,714	(736)	1,978
E.M.C. Current Restricted Fund			2,556		2,556		2,556
N.M.C. Nacubo Agency Fund			2,449		2,449	441	2,890
N.M.C. Armory-Gym Fund	2,419				2,419		2,419
Occupational Disease Fund	1,754	18	675	(31)	2,416	(1,311)	1,105
Experiment Station-Fertilizer Fund			2,210		2,210	(102)	2,108
M.C.M.S.T. Auxiliary Enterprises Fund			1,890		1,890	117	2,007
No. Mt. Branch Station Fund			1,788		1,788	26	1,814
M.C.M.S.T. Current Restricted Fund			1,754		1,754	746	2,500
N.M.C. Unexpended Plant Fund			1,612		1,612		1,612
U.M. Swimming Pool Fund	1,277	44			1,321	(212)	1,109
N.M.C. Series B Reserve Fund	1,262	54			1,316	2	1,318
M.C.M.S.T. Current Designated Fund			1,171		1,171	91	1,262
Board of Certification Fund			1,126		1,126	(15)	1,111
T.R.S. Minnie Fullam Fund	1,039	11	73		1,123	(1)	1,122
N.M.C. Current Designated Fund			1,045		1,045	188	1,233
M.S.U. Unexpended Plant Fund			1,002		1,002	188	1,190
M.C.M.S.T. Agency Fund			716		716	195	911
E.M.C. Loan Fund			656		656		656
Water Well Fund	618				618		618
Cosmetology Board Fund	255	38			293		293
Experiment Station-Agriculture Fund			271		271	(11)	260
N.M.C. Endowment Fund			180		180	32	212
Securities Registration Fund			145		145	(2)	143
N.M.C. Fund to Retire Debt			72		72	13	85
N.M.C. Current Restricted Fund			36		36	6	42
Livestock Board-Emergency Fund	(11,858)		4,298		(7,560)	(890)	(8,450)
Other STIP			1,140,078		1,140,078	41,548	1,181,626
TOTAL	$ 29,867,755	$ 705,899	$ 10,693,673	$ (1,013,758)	$ 40,253,569	$ 1,206,201	$ 41,459,770

SCHEDULE D
SUMMARY OF BOND SWAPS
Deferral Method

DESCRIPTION	PAR SOLD	PAR ACQUIRED	REALIZED GAIN(or)LOSS	DEFERRED GAIN(or)LOSS
Trust and Legacy Fund	$ 6,139,000	$ 6,139,000	$ (923,581)	$ (32,362)
Public Employees' Retirement System Fund	2,600,000	2,600,000	(37,322)	(2,7[illegible])
Teachers' Retirement System Fund	973,000	973,000	(116,159)	(1,51[illegible])
Workers' Compensation Fund	650,000	650,000	(55,399)	(15[illegible])
Volunteer Fireman's Fund	65,000	65,000	(4,927)	(8[illegible])
Occupational Disease Fund	25,000	25,000	(1,895)	([illegible])
Game Wardens' Retirement Fund	10,000	10,000	(758)	([illegible])
TOTAL	$ 10,462,000	$ 10,462,000	$ (1,110,011) (1)	$ (36,893) (2)

(1) If the completed transaction method were used for gains and losses on bond swaps.

(2) Based on the deferral method of accounting for gains and losses on bond swaps.

SCHEDULE E
UNAMORTIZED DEFERRED GAINS(or)LOSSES ON BOND SWAPS
As of June 30, 1976

DESCRIPTION	BALANCE
Trust & Legacy Fund	$ (6,463,427)
Workers' Compensation Fund	(568,088)
Public Employees' Retirement System Fund	(226,071)
Teachers' Retirement System Fund	(199,664)
Highway Patrol Retirement Fund	(60,360)
Game Wardens' Retirement Fund	(5,946)
Volunteer Fireman's Fund	(4,845)
Occupational Disease Fund	(1,864)
TOTAL	$ (7,530,265)

FINANCIAL NOTES

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting. Prior years' statements were prepared on the cash basis of accounting modified for the amortization of premiums and discounts, the deferral of gains or losses on bond swaps, and the amortization of a portfolio cost adjustment. The difference of $1,206,201 between the accrual basis and the modified cash basis is shown on Schedule C.

COST OF INVESTMENTS (BOOK VALUE)

U.S. Government obligations, corporate bonds and Canadian obligations are shown at original cost adjusted for amortization of premium or accumulation of discount. Mortgages are shown at par value. Building and land are shown at cost as on the agencies' books. All other securities are shown at original cost, except for bequeathed common and preferred stock which are shown as having a zero cost at date of bequest.

MARKET VALUATION OF INVESTMENTS

The market valuation of investments as shown in the financial statements is computed as follows: mortgages, repurchase agreements, certificates of deposit, building and land are recorded at par value; bankers' acceptances, commercial paper and Treasury Bill's are shown at cost; U.S. Government obligations, corporate and Canadian bonds are priced on June 30, 1976, using a dealer's quotes; common and preferred stocks are recorded at closing prices on exchanges where traded as of June 30, 1976.

METHOD OF AMORTIZATION

Bond premiums and discounts are amortized on the straight line method. Discounts from principal amounts upon acquisition of mortgages are amortized over the average remaining [illegible] year mortgage life.

STATEMENT OF INVESTMENT INCOME

The Statement of Investment Income shows a deferred loss of $1,013,758. This is composed of $[illegible] prior year deferred losses and current year deferred losses of $[illegible] as shown in Schedule D. The investment income is net of $256,705 administrative expenses and the Trust and Legacy Fund is adjusted downward by $90,365 which is the amortization of a portfolio cost adjustment. The negative cash balance for the Livestock Board-Emergency Fund is due to realized losses on the sale of investments. [illegible] income was computed by subtracting the income receivable on June 30, 1975 from the income receivable on June 30, 1976.

The 75-76 income total differs from the Statement of Operations Net Investment Income by the STIP accrued income of $87,350 and the STIP income of $10,693,673.

BOND SWAPS

The deferral method of accounting for bond swaps is used. Under this method gains and losses resulting from bond swaps are deferred over the remaining life of the bonds sold or purchased, whichever is shorter. The effect of the swaps on the completed transaction method is footnoted in Schedule D.

MORTGAGES, BUILDING AND LAND

The balances reported are provided by each agency administering them. The Board of Investments does not control the detail to these investments and, therefore, relies upon the respective agencies for the balances. Rent is accrued as income from these holdings.

INVESTMENT OF NON-CONTROLLED FUNDS

The balance of the Employment Security Division Trust Fund Account is $1,590,500, which is not controlled due to federal restrictions.

TOTAL INVESTMENTS

The Total STIP investments as shown in the graph Total Investments differs from the STIP investments as shown in the graph Source of Investments by the amount [illegible] the Source of Investments shows the total original cost of the STIP portfolio while the latter graph shows the participant's cost of the STIP units. STIP units are sold to the participants at the current market value of the STIP portfolio plus any accrued earnings as of the date the participants joined the investment pool.

YIELD ON INVESTMENTS

All portfolio yields are calculated using the modified income basis for comparable purposes. Mortgage, bond and [illegible] yields are calculated as follows: [illegible] income divided by the beginning of lending asset balances, gross modified income. Heavy yields for the Treasurer's Fund is calculated by determining the daily average invested balance and dividing this into modified income. STIP yields represent the yield the participant would have received if funds were invested [illegible] period 07-01-75 to 06-30-76. It is calculated by determining the daily average invested balance and dividing this into the accrued income for the period. Yields reported in the portfolio for individual holdings represent yields to maturity.

NOTES TO STIP FINANCIAL STATEMENTS

BASIS OF ACCOUNTING
The financial statements have been prepared on the accrual basis of accounting.

ADMINISTRATIVE EXPENSES
The daily accrual of expenses charged against income due participants equals one-eighth of one percent times the market value of the pool divided by three hundred and sixty-five. On the two distribution dates, the accumulated daily total of expenses is deducted from the amount available for distribution and is paid to the Board of Investments for operating expenses.

DISTRIBUTION DATES
Distributions to participants are made on the last working day of the months of May and November.

MARKET VALUE OF SECURITIES
The market value of the securities shown in the statements is computed as follows: repurchase agreements and certificates of deposit are recorded at par value; bankers' acceptances, commercial paper, Treasury Bills, U.S. Government obligations, corporate and Canadian bonds are priced using one dealer's June 30, 1976 quotes.

INVESTMENTS AT COST
The cost of investments as of June 30, 1974, 1975, and 1976 were $84,992,245, $133,380,154, and $163,895,005 respectively.

INCREASE IN UNREALIZED APPRECIATION
The increase is calculated as follows: investments at market less the cost of investments less the appreciation of the prior period.

UNITS PURCHASED & SOLD BY PARTICIPANTS
The amounts shown for units purchased by participants and units sold by participants are net of income purchased and income sold respectively.

PRIOR PERIOD ADJUSTMENTS
Various bookkeeping errors have occurred since STIP began operation in fiscal 73-74. In our fiscal 1974-75 report we stated that $340,444 existed as undistributed earnings as a result of these errors. Further analysis during the year disclosed that this amount should have been $201,728. On May 28, 1976, $184,922 of retained earnings were distributed with the remaining $16,806 to be distributed in November of 1976. Analysis revealed other bookkeeping errors in the STIP accounts. None of the errors revealed are material to STIP operations as a whole, nor are they material to any unitholder. The financial statements for 1975 and 1974 have been restated to reflect the aforementioned errors.

The financial statement format for 1975 and 1974 has been changed to reflect the format adopted for 1976.

PORTFOLIOS

SHORT TERM INVESTMENT POOL

CERTIFICATES OF DEPOSIT	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
First Security Bank—Anaconda	$ 100	7.000	07-15-76	$ 100,000	$ 100,000	7.000
First Security Bank—Anaconda	300	8.000	10-15-76	300,000	300,000	8.000
First Security Bank—Anaconda	200	7.000	11-17-76	200,000	200,000	7.000
Cheyenne Western Bank—Ashland	275	7.250	12-14-76	275,000	275,000	7.250
Montana Bank—Belgrade	200	7.250	12-16-76	200,000	200,000	7.250
Montana Bank—Belgrade	200	6.750	06-03-77	200,000	200,000	6.750
Midland National Bank—Billings	500	8.000	09-21-76	500,000	500,000	8.000
Midland National Bank—Billings	1,000	7.050	11-12-76	1,000,000	1,000,000	7.050
Midland National Bank—Billings	1,000	6.750	06-13-77	1,000,000	1,000,000	6.750
Midland National Bank—Billings	200	6.890	04-14-78	200,000	200,000	6.890
Midland National Bank—Billings	100	6.760	04-14-78	100,000	100,000	6.760
Midland National Bank—Billings	200	7.160	04-13-79	200,000	200,000	7.160
Midland National Bank—Billings	200	7.340	04-15-80	200,000	200,000	7.340
Midland National Bank—Billings	100	7.270	04-15-80	100,000	100,000	7.270
Midland National Bank—Billings	200	7.190	04-15-80	200,000	200,000	7.190
Midland National Bank—Billings	200	7.630	04-15-81	200,000	200,000	7.630
Midland National Bank—Billings	100	7.510	04-15-81	100,000	100,000	7.510
Midland National Bank—Billings	200	7.390	04-15-81	200,000	200,000	7.390
Valley State Bank—Billings	200	8.000	09-24-76	200,000	200,000	8.000
Valley State Bank—Billings	100	7.125	11-12-76	100,000	100,000	7.125
Valley State Bank—Billings	100	7.250	11-12-76	100,000	100,000	7.250
Western Bank—Billings	100	7.500	07-13-76	100,000	100,000	7.500
Western Bank—Billings	200	7.250	11-16-76	200,000	200,000	7.250
Western State Bank—Billings	300	7.250	11-11-76	300,000	300,000	7.250
First National Bank—Bozeman	1,000	6.500	05-24-77	1,000,000	1,000,000	6.500
First National Bank—Bozeman	500	7.275	04-14-80	500,000	500,000	7.275
First National Bank—Bozeman	500	7.375	04-14-81	500,000	500,000	7.375
Montana National Bank—Browning	100	5.625	07-01-76	100,000	100,000	5.625
Montana National Bank—Browning	350	5.625	07-28-76	350,000	350,000	5.625
First Metals Bank—Butte	1,000	7.100	11-30-76	1,000,000	1,000,000	7.100
First Metals Bank—Butte	1,000	6.750	06-17-77	1,000,000	1,000,000	6.750
First National Bank—Butte	500	7.000	11-17-76	500,000	500,000	7.000
Montana National Bank—Butte	150	7.750	09-03-76	150,000	150,000	7.750
Prudential Federal Savings & Loan—Butte	100	7.000	06-03-77	100,000	100,000	7.000
Bank of Columbia Falls—Columbia Falls	200	7.500	04-15-80	200,000	200,000	7.500
Bank of Columbia Falls—Columbia Falls	200	7.750	04-15-81	200,000	200,000	7.750
Deer Lodge Bank & Trust—Deer Lodge	100	6.625	01-25-77	100,000	100,000	6.625
Deer Lodge Bank & Trust—Deer Lodge	100	6.625	01-28-77	100,000	100,000	6.625
Deer Lodge Bank & Trust—Deer Lodge	100	6.625	02-11-77	100,000	100,000	6.625
Deer Lodge Bank & Trust—Deer Lodge	200	6.625	02-25-77	200,000	200,000	6.625
Deer Lodge Bank & Trust—Deer Lodge	100	6.625	03-18-77	100,000	100,000	6.625
Deer Lodge Bank & Trust—Deer Lodge	200	6.750	06-22-77	200,000	200,000	6.750

SHORT TERM INVESTMENT POOL

CERTIFICATES OF DEPOSIT	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
First Security Bank-Deer Lodge	$ 100	7.750	09-10-76	$ 100,000	$ 100,000	7.750
First Security Bank—Deer Lodge	100	7.750	09-14-76	100,000	100,000	7.750
First Security Bank—Deer Lodge	100	6.500	05-24-77	100,000	100,000	6.500
First Security Bank—Deer Lodge	100	6.500	05-24-77	100,000	100,000	6.500
Pioneer Savings & Loan—Deer Lodge	100	7.000	04-07-78	100,000	100,000	7.000
First National Bank—Ekalaka	100	6.250	04-27-77	100,000	100,000	6.250
First National Bank—Glasgow	150	6.000	11-15-76	150,000	150,000	6.000
First National Bank—Glasgow	350	6.250	04-21-77	350,000	350,000	6.250
First National Bank—Glasgow	300	6.750	06-15-77	300,000	300,000	6.750
First National Bank—Glasgow	200	6.750	06-17-77	200,000	200,000	6.750
First Federal Savings & Loan—Great Falls	100	7.500	04-08-81	100,000	100,000	7.500
First National Bank—Great Falls	1,000	6.200	04-08-77	1,000,000	1,000,000	6.200
First Westside National Bank—Great Falls	750	7.250	07-14-76	750,000	750,000	7.250
First Westside National Bank—Great Falls	200	6.250	04-19-77	200,000	200,000	6.250
First Westside National Bank—Great Falls	250	6.500	05-24-77	250,000	250,000	6.500
First Westside National Bank—Great Falls	500	6.750	06-09-77	500,000	500,000	6.750
First Westside National Bank—Great Falls	300	6.750	06-17-77	300,000	300,000	6.750
Montana Bank—Great Falls	1,000	6.500	05-24-77	1,000,000	1,000,000	6.500
Montana Bank—Great Falls	500	7.125	04-20-79	500,000	500,000	7.125
Montana Bank—Great Falls	500	7.500	04-21-80	500,000	500,000	7.500
Montana Bank—Great Falls	500	7.625	04-20-81	500,000	500,000	7.625
Northwestern Bank—Great Falls	425	7.000	07-02-76	425,000	425,000	7.000
Northwestern Bank—Great Falls	1,000	7.000	07-13-76	1,000,000	1,000,000	7.000
Northwestern Bank—Great Falls	500	7.250	07-16-76	500,000	500,000	7.250
Northwestern Bank—Great Falls	500	7.750	10-08-76	500,000	500,000	7.750
Village Bank—Great Falls	300	6.500	05-24-77	300,000	300,000	6.500
First National Bank—Havre	300	6.850	08-24-76	300,000	300,000	6.850
First National Bank—Havre	100	7.357	04-08-80	100,000	100,000	7.357
First National Bank—Havre	100	7.670	04-08-81	100,000	100,000	7.670
First National Bank—Helena	500	7.000	04-14-78	500,000	500,000	7.000
First National Bank—Helena	500	7.250	04-13-79	500,000	500,000	7.250
First Security Bank—Helena	100	6.500	01-13-77	100,000	100,000	6.500
Northwestern Bank—Helena	2,000	8.000	10-14-76	2,000,000	2,000,000	8.000
First National Bank—Hinsdale	100	7.750	09-10-76	100,000	100,000	7.750
First National Bank—Hinsdale	300	7.000	11-16-76	300,000	300,000	7.000
First National Bank—Hinsdale	100	6.625	02-02-77	100,000	100,000	6.625
Conrad National Bank—Kalispell	1,000	8.000	09-17-76	1,000,000	1,000,000	8.000
First Northwestern Bank—Kalispell	300	7.000	06-16-77	300,000	300,000	7.000
First Northwestern Bank—Kalispell	100	7.375	01-08-81	100,000	100,000	7.375
First Bank—Lincoln	100	5.750	08-03-76	100,000	100,000	5.750
First Bank—Lincoln	100	6.750	06-01-77	100,000	100,000	6.750
First Security Bank—Malta	100	7.750	08-24-76	100,000	100,000	7.750

SHORT TERM INVESTMENT POOL

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
CERTIFICATES OF DEPOSIT						
First Security Bank—Malta	$ 150	6.625	02-17-77	$ 150,000	$ 150,000	6.625
First Security Bank—Malta	200	6.250	05-10-77	200,000	200,000	6.250
Southside National Bank—Missoula	500	7.000	11-12-76	500,000	500,000	7.000
Southside National Bank—Missoula	500	7.000	11-16-76	500,000	500,000	7.000
Western Montana National Bank—Missoula	500	7.000	07-13-76	500,000	500,000	7.000
Western Montana National Bank—Missoula	1,000	8.000	09-17-76	1,000,000	1,000,000	8.000
Western Montana National Bank—Missoula	500	8.000	09-24-76	500,000	500,000	8.000
Western Montana National Bank—Missoula	1,000	7.350	11-30-76	1,000,000	1,000,000	7.350
Western Montana National Bank—Missoula	1,000	6.750	06-14-77	1,000,000	1,000,000	6.750
Western Montana National Bank—Missoula	600	6.750	06-17-77	600,000	600,000	6.750
Western Montana National Bank—Missoula	500	7.100	04-13-78	500,000	500,000	7.100
Bank of Sheridan—Sheridan	100	5.500	08-02-76	100,000	100,000	5.500
Bank of Sheridan—Sheridan	100	7.750	08-19-76	100,000	100,000	7.750
Bank of Sheridan—Sheridan	200	6.500	08-23-76	200,000	200,000	6.500
Richland National Bank—Sidney	600	7.250	07-14-76	600,000	600,000	7.250
Sidney National Bank—Sidney	500	7.250	10-29-76	500,000	500,000	7.250
Montana Bank—Superior	100	6.250	12-27-76	100,000	100,000	6.250
First National Bank—Twin Bridges	100	8.000	10-14-76	100,000	100,000	8.000
First National Bank—Wibaux	300	7.250	12-16-76	300,000	300,000	7.250
TOTAL	$ 36,850			$ 36,850,000	$ 36,850,000	
GOVERNMENT OBLIGATIONS REPURCHASE AGREEMENTS						
Bank of America—San Francisco	$ 3,737	5.600	07-26-76	$ 3,737,000	$ 3,737,000	5.600
Seattle First National Bank—Seattle	3,100	5.250	07-01-76	3,100,000	3,100,000	5.250
TOTAL	$ 6,837			$ 6,837,000	$ 6,837,000	
U.S. TREASURY						
U.S. Treasury Bills	$ 1,000	0.000	07-27-76	$ 930,787	$ 996,208	6.960
U.S. Treasury Bills	5,000	0.000	03-08-77	4,697,678	4,793,403	5.980
U.S. Treasury Notes	2,000	8.250	08-31-77	1,999,240	2,036,250	8.271
U.S. Treasury Notes	2,000	7.875	05-15-78	1,994,400	2,030,000	7.982
U.S. Treasury Notes	2,000	7.125	05-31-78	1,995,000	2,005,000	7.260
U.S. Treasury Notes	2,000	8.500	09-30-79	1,996,120	2,070,000	8.553
U.S. Treasury Notes	1,000	8.125	08-15-82	999,740	1,021,875	8.131
U.S. Treasury Notes	1,000	8.125	08-15-82	1,001,320	1,021,875	8.100
U.S. Treasury Notes	1,000	8.125	08-15-82	998,160	1,021,875	8.159
U.S. Treasury Notes	3,000	8.000	02-15-83	3,000,000	3,045,000	8.000
U.S. Treasury Notes	5,000	7.875	05-15-86	5,000,000	5,012,500	7.875

SHORT TERM INVESTMENT POOL

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
U.S. TREASURY						
U.S. Treasury Bonds	$ 500	8.250	05-15-90	$ 495,580	$ 514,375	8.352
U.S. Treasury Bonds	500	8.250	05-15-90	495,758	514,375	8.348
TOTAL	$ 26,000			$ 25,603,783	$ 26,082,736	
FEDERAL AGENCIES						
Federal Home Loan Banks	$ 3,000	9.150	11-25-77	$ 3,000,000	$ 3,086,250	9.150
Federal Home Loan Banks	500	7.600	05-25-78	500,000	502,813	7.600
Federal Home Loan Banks	3,000	9.100	11-27-78	3,000,000	3,116,250	9.100
Federal Home Loan Banks	1,000	8.750	05-25-79	1,000,000	1,031,250	8.750
Federal Home Loan Banks	1,000	8.750	05-25-84	1,000,000	1,042,500	8.750
F.N.M.A.	1,000	9.800	06-11-79	1,000,000	1,058,750	9.800
F.N.M.A.	1,000	9.700	09-10-81	1,000,000	1,076,250	9.700
F.N.M.A.	1,250	7.300	12-10-81	1,250,000	1,223,438	7.300
F.N.M.A.	1,000	7.350	12-10-82	1,000,000	970,000	7.350
F.N.M.A.	2,000	7.750	03-10-83	2,000,000	1,970,000	7.750
Federal Intermediate Credit Bank	1,000	7.400	01-02-80	998,750	995,000	7.434
Federal Land Banks	1,000	8.250	04-20-77	1,000,000	1,011,875	8.250
Federal Land Banks	1,000	8.250	04-20-77	1,010,000	1,011,875	7.690
Federal Land Banks	1,000	9.150	07-20-78	1,000,000	1,035,000	9.150
Federal Land Banks	1,000	9.100	07-20-81	1,000,000	1,055,000	9.100
TOTAL	$ 19,750			$ 19,758,750	$ 20,186,251	
CANADIAN OBLIGATIONS						
British Columbia Hydro & Power	$ 500	10.250	10-01-99	$ 500,000	$ 525,000	10.250
Hydro Quebec	1,000	10.000	11-15-05	1,000,000	1,032,500	10.000
Municipal Finance Authority of B.C.	1,000	8.875	05-01-01	952,500	955,000	9.370
Quebec Hydro Electric	1,000	7.500	01-01-03	915,000	820,000	8.280
Quebec Hydro Electric	1,000	8.250	01-01-04	995,000	887,500	8.300
Quebec Hydro Electric	500	10.250	01-15-05	500,000	528,750	10.250
TOTAL	$ 5,000			$ 4,862,500	$ 4,748,750	
CORPORATE OBLIGATIONS						
BANKERS' ACCEPTANCES						
Bankers Trust Corp.—New York (Miami)	$ 2,134	0.000	09-13-76	$ 2,071,310	$ 2,108,540	6.000
Chase Manhattan Bank—New York	3,500	0.000	07-27-76	3,435,028	3,486,096	5.500
Chemical Bank—New York	656	0.000	07-16-76	646,666	654,893	5.300
Chemical Bank—New York	5,000	0.000	07-19-76	4,978,906	4,986,250	5.625
Chemical Bank—New York	587	0.000	07-20-76	578,504	585,794	5.300
Chemical Bank—New York	640	0.000	07-21-76	629,667	637,599	5.300
Chemical Bank—New York	1,003	0.000	08-23-76	982,211	995,020	5.500
Chemical Bank—New York	1,534	0.000	09-20-76	1,501,242	1,513,965	5.550

SHORT TERM INVESTMENT POOL

CORPORATE OBLIGATIONS	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
BANKERS' ACCEPTANCES						
Chemical Bank—New York (SF)	$ 1,145	0.000	09-24-76	$ 1,113,357	$ 1,129,490	5.800
Chemical Bank—New York	771	0.000	09-27-76	749,982	760,293	5.650
Chemical Bank—New York (SF)	483	0.000	10-15-76	470,120	474,704	5.800
Citibank—New York	2,000	0.000	07-01-76	1,993,467	2,000,000	5.600
Citibank—New York (Chicago)	1,000	0.000	07-30-76	992,717	995,569	5.700
Citibank—New York	1,922	0.000	09-15-76	1,869,296	1,899,264	5.650
Crocker National Bank—San Francisco	2,500	0.000	09-17-76	2,430,859	2,469,125	5.625
First National Bank—Oregon	2,000	0.000	07-06-76	1,976,153	1,998,542	5.050
First National Bank—Oregon	1,000	0.000	08-31-76	974,800	990,342	5.600
Irving Trust—New York	625	0.000	07-26-76	621,932	622,613	5.700
Northwest Banco	1,500	0.000	07-26-76	1,490,500	1,494,271	5.700
Rainier National Bank—Seattle	2,000	0.000	08-09-76	1,973,111	1,987,758	5.500
Rainier National Bank—Seattle	5,000	0.000	08-11-76	4,933,111	4,967,826	5.600
Rainier National Bank—Seattle	500	0.000	09-09-76	486,738	494,458	5.650
Seattle First National Bank—Seattle	5,000	0.000	07-19-76	4,962,625	4,986,250	5.850
Seattle First National Bank—Seattle	2,000	0.000	07-27-76	1,982,450	1,992,056	5.850
United California Bank—Los Angeles	3,383	0.000	11-08-76	3,284,312	3,311,962	5.990
TOTAL	$ 47,883			$ 47,179,064	$ 47,542,684	
COMMERCIAL PAPER						
First Bank System	$ 2,075	0.000	07-21-76	$ 2,066,246	$ 2,068,660	5.625
Georgia Pacific	2,500	0.000	07-29-76	2,488,281	2,489,306	5.625
Ingersoll Rand	2,000	0.000	07-02-76	1,990,313	1,999,708	5.625
Northwest Banco	2,000	0.000	07-02-76	1,992,908	1,999,708	5.550
Seaway Pipeline	2,000	0.000	07-12-76	1,993,408	1,996,792	5.600
TOTAL	$ 10,575			$ 10,531,156	$ 10,554,174	
FINANCIAL						
Commercial Credit	$ 1,000	8.000	01-15-81	$ 1,000,000	$ 982,500	8.000
Ford Motor Credit	500	10.500	10-01-94	500,000	541,250	10.500
General Electric Credit	1,000	8.650	01-15-84	1,000,000	1,013,750	8.650
Mellon National Bank	1,000	7.800	03-01-82	1,000,000	977,500	7.800
Sears & Roebuck Acceptance	1,000	8.375	12-31-86	998,000	1,007,500	8.400
TOTAL	$ 4,500			$ 4,498,000	$ 4,522,500	
INDUSTRIAL						
Dresser Industries	$ 1,000	8.650	05-15-85	$ 1,000,000	$ 1,010,000	8.650
General Foods	700	7.500	03-01-84	696,500	684,250	7.570
General Motors	1,000	8.050	04-01-85	1,000,000	1,007,500	8.050
Procter & Gamble	1,000	8.250	03-01-05	991,250	998,750	8.329

SHORT TERM INVESTMENT POOL

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
INDUSTRIAL						
RCA	$ 1,000	10.200	08-15-92	$ 1,000,000	$ 1,047,500	10.200
Revlon	1,000	8.450	05-01-85	1,000,000	1,012,500	8.450
TOTAL	$ 5,700			$ 5,687,750	$ 5,760,500	
TRANSPORTATION						
Mobil Alaska Pipeline	$ 500	8.450	03-01-05	$ 500,000	$ 492,500	8.450
TOTAL	$ 500			$ 500,000	$ 492,500	
PUBLIC UTILITIES						
Public Service Electric & Gas	$ 1,000	8.500	03-01-04	$ 1,000,000	$ 942,500	8.500
Public Service Electric & Gas	497	12.000	10-01-04	497,000	556,640	12.000
TOTAL	$ 1,497			$ 1,497,000	$ 1,499,140	
TOTAL INVESTMENTS	$ 165,092			$ 163,800,503	$ 165,076,233	

TREASURER'S FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
CERTIFICATES OF DEPOSIT						
First Citizens Bank—Billings	$ 100	7.250	11-05-76	$ 100,000	$ 100,000	7.250
First Citizens Bank—Billings	100	7.250	11-17-76	100,000	100,000	7.250
Midland National Bank—Billings	500	6.625	02-25-77	500,000	500,000	6.625
Midland National Bank—Billings	500	6.250	01-08-77	500,000	500,000	6.250
Valley State Bank—Billings	300	7.750	08-27-76	300,000	300,000	7.750
Western Bank—Billings	200	7.250	01-01-77	200,000	200,000	7.250
Western State Bank—Billings	500	7.250	01-01-77	500,000	500,000	7.250
First Metals Bank—Butte	1,000	7.000	07-06-76	1,000,000	1,000,000	7.000
Montana National Bank—Butte	250	6.625	03-04-77	250,000	250,000	6.625
First National Bank—Ekalaka	100	6.625	03-18-77	100,000	100,000	6.625
First National Bank—Great Falls	500	6.200	04-08-77	500,000	500,000	6.200
First Westside National Bank—Great Falls	500	7.250	01-04-77	500,000	500,000	7.250
First Westside National Bank—Great Falls	200	6.625	03-18-77	200,000	200,000	6.625
First Westside National Bank—Great Falls	100	6.250	03-25-77	100,000	100,000	6.250
Montana Bank—Great Falls	100	7.000	11-12-76	100,000	100,000	7.000
Bank of Montana—Helena	640	6.625	03-04-77	640,000	640,000	6.625
First Security Bank—Helena	200	7.000	01-04-77	200,000	200,000	7.000
First Security Bank—Helena	600	6.625	02-25-77	600,000	600,000	6.625
First National Bank—Hinsdale	100	6.625	03-11-77	100,000	100,000	6.625
First National Bank—Hinsdale	100	6.250	03-25-77	100,000	100,000	6.250
First National Bank—Kalispell	100	6.250	03-25-77	100,000	100,000	6.250
Southside National Bank—Missoula	300	6.250	04-12-77	300,000	300,000	6.250
Toole County State Bank—Shelby	100	6.250	03-25-77	100,000	100,000	6.250
Bank of Sheridan—Sheridan	100	5.750	09-24-76	100,000	100,000	5.750
Bank of Sheridan—Sheridan	100	6.250	12-24-76	100,000	100,000	6.250
Montana Bank—Superior	100	6.625	02-25-77	100,000	100,000	6.625
First State Bank—Whitefish	100	6.625	02-25-77	100,000	100,000	6.625
TOTAL	$ 7,490			$ 7,490,000	$ 7,490,000	
GOVERNMENT OBLIGATIONS REPURCHASE AGREEMENTS						
Bank of America—San Francisco	$ 5,130	5.700	07-19-76	$ 5,130,000	$ 5,130,000	5.700
Seattle First National Bank—Seattle	16,630	5.188	07-01-76	16,630,000	16,630,000	5.188
TOTAL	$ 21,760			$ 21,760,000	$ 21,760,000	

TREASURER'S FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
U.S. TREASURY						
U.S. Treasury Bills	$ 25,000	0.000	07-01-76	$ 24,992,472	$ 24,992,472	5.420
U.S. Treasury Notes	1,000	6.000	11-15-78	1,000,000	977,500	6.000
U.S. Treasury Notes	2,000	6.000	11-15-78	2,003,320	1,955,000	5.912
U.S. Treasury Notes	1,000	6.000	11-15-78	1,000,666	977,500	5.963
TOTAL	$ 29,000			$ 28,996,458	$ 28,902,472	
SHORT TERM INVESTMENT POOL	$ 102,365			$ 102,364,546	$ 102,364,546	
TOTAL INVESTMENTS	$ 160,615			$ 160,611,904	$ 160,517,018	

PUBLIC EMPLOYEES' RETIREMENT SYSTEM FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
MONTANA OBLIGATIONS						
ESC Building Revenue	$ 745	8.000	06-01-86	$ 744,944	$ 745,000	8.000
ESC Building Revenue	434	8.000	06-01-88	433,812	434,000	8.000
TOTAL	$ 1,179			$ 1,178,756	$ 1,179,000	
GOVERNMENT OBLIGATIONS						
REPURCHASE AGREEMENTS						
Seattle First National Bank-Seattle	$ 1,000	5.250	07-01-76	$ 1,000,000	$ 1,000,000	5.250
TOTAL	$ 1,000			$ 1,000,000	$ 1,000,000	
U.S. TREASURY						
U.S. Treasury Bonds	$ 500	7.875	02-15-00	$ 482,889	$ 490,000	8.200
TOTAL	$ 500			$ 482,889	$ 490,000	
FEDERAL AGENCIES						
Farmers Home Administration	$ 140	8.750	12-09-94	$ 140,164	$ 144,542	8.750
Farmers Home Administration	376	8.750	12-26-94	376,203	390,139	8.750
Farmers Home Administration	681	8.750	05-04-95	681,217	703,228	8.750
International Bank for Reconstruction	500	8.125	08-01-96	500,000	470,000	8.125
Martin Luther Tower	56	5.150	05-01-06	51,925	36,190	5.717
Mutual Mortgage General Insurance	130	4.125	12-01-85	124,850	97,175	4.625
TOTAL	$ 1,883			$ 1,874,359	$ 1,841,254	
U.S. GOVERNMENT GUARANTEED						
Global Marine Deepwater Drilling	$ 500	8.500	03-01-98	$ 500,000	$ 499,900	8.500
Northwest Shipping	1,000	8.350	07-01-96	1,000,000	1,015,000	8.350
Texaco Star Tankers	1,000	9.250	07-03-99	1,000,000	1,086,250	9.250
Whitney Steamship	495	9.300	04-29-00	494,625	551,306	9.300
TOTAL	$ 2,995			$ 2,994,625	$ 3,152,456	
CANADIAN OBLIGATIONS						
British Columbia Hydro & Power	$ 500	9.625	06-01-05	$ 498,795	$ 510,000	9.650
Canadian National Railway	500	9.000	07-01-91	500,000	470,625	9.000
Canadian Pacific Equipment	500	10.125	07-02-90	500,000	514,375	10.125
Hydro-Quebec	500	10.000	11-15-05	500,000	518,750	10.000
Manitoba Hydro Electric	500	9.250	06-15-04	498,834	492,500	9.270
Manitoba Hydro Electric	500	9.375	12-01-04	482,225	496,250	9.763
Municipal Finance Authority of B.C.	1,000	8.875	05-01-01	1,000,000	947,500	8.875
Nova Scotia Power	500	10.500	09-15-00	500,000	527,500	10.500
Ontario Hydro	1,000	9.500	03-15-96	1,000,000	1,000,000	9.500
Quebec Hydro Electric	500	10.700	02-01-99	500,000	555,000	10.700

PUBLIC EMPLOYEES' RETIREMENT SYSTEM FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
CANADIAN OBLIGATIONS						
Quebec Hydro Electric	$ 600	8.500	08-01-03	$ 597,290	$ 546,720	8.750
Quebec Hydro Electric	500	8.500	08-01-03	499,395	455,000	8.700
Quebec Hydro Electric	1,000	8.250	01-01-04	975,333	886,200	8.295
TOTAL	$ 8,100			$ 8,062,932	$ 7,921,020	
CORPORATE OBLIGATIONS						
CONVERTIBLES						
Citicorp	$ 100	5.750	06-03-00	$ 100,000	$ 103,500	5.750
First Bank System	100	6.250	06-30-00	100,000	106,250	6.250
Georgia Pacific	100	6.250	05-15-00	100,000	115,500	6.250
Hercules	200	6.500	06-30-99	200,000	217,000	6.500
MGIC Investment	55	5.000	12-15-93	55,000	30,113	5.000
J. P. Morgan & Co.	150	4.750	11-01-98	150,000	138,750	4.750
West Point Pepperell	250	7.750	10-15-00	250,000	265,750	7.750
TOTAL	$ 955			$ 955,000	$ 979,863	
FINANCIAL						
Avco Financial Services	$ 250	7.875	05-01-92	$ 243,004	$ 213,750	7.976
Avco Financial Services	500	7.625	12-01-97	500,000	407,500	7.625
Commercial Credit	500	8.000	01-15-81	500,000	490,000	8.000
Commercial Credit	500	7.750	02-15-92	495,019	434,850	7.851
Dorchester Bancshares	300	7.750	11-15-96	300,000	258,390	7.750
First Bank System	200	6.750	09-15-79	200,000	191,760	6.750
First National Bank—Arizona	500	7.700	04-01-97	499,532	426,900	7.722
Ford Motor Credit	500	7.250	05-01-79	499,496	492,500	7.302
Ford Motor Credit	500	7.250	05-01-79	501,425	492,500	7.124
General Electric Credit	500	8.875	06-01-82	500,000	507,500	8.875
Walter E. Heller	500	7.750	04-01-92	497,009	446,250	7.825
Honeywell Finance	500	9.650	11-01-81	500,000	521,250	9.650
Honeywell Finance	500	8.200	12-15-98	500,000	452,850	8.200
Household Finance	150	7.750	10-01-99	150,000	133,695	7.750
Industrial National Corp.	500	7.400	07-01-81	500,000	433,150	7.400
International Harvester Credit	500	8.625	08-01-91	500,000	455,950	8.625
International Harvester Credit	500	7.500	04-15-94	497,910	415,350	7.550
Northwest Bankcorporation	500	7.750	03-15-03	500,000	435,650	7.750
J. C. Penney Financial	300	7.875	09-15-91	298,838	268,860	7.925
Transamerica Financial	500	7.875	11-01-91	497,086	432,500	7.951
TOTAL	$ 8,700			$ 8,631,649	$ 7,961,155	
INDUSTRIAL						
Allied Chemical	$ 500	7.875	09-01-96	$ 496,914	$ 468,150	7.944

PUBLIC EMPLOYEES' RETIREMENT SYSTEM FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
INDUSTRIAL						
American Cyanamid	$ 500	8.375	03-15-06	$ 497,522	$ 497,750	8.420
Atlantic Richfield	315	7.750	12-15-03	315,000	290,021	7.750
Berkshire Hathaway	500	8.000	03-01-93	500,000	467,500	8.000
Bethlehem Steel	1,000	8.375	03-01-01	992,598	983,000	8.550
Caterpillar Tractor	400	8.600	05-01-99	400,000	404,000	8.600
Central Soya	250	7.500	03-01-97	249,472	226,250	7.520
Channelview Leasing	500	9.250	07-15-96	500,000	540,625	9.250
Cities Service	500	9.750	10-01-00	497,573	525,000	9.800
Continental Oil	500	8.875	06-01-01	498,754	506,250	8.900
Countrywide Stations	477	7.750	12-01-01	477,000	444,803	7.750
Crown Zellerbach	961	8.125	05-01-94	961,213	906,944	8.125
Dresser Industries	500	8.650	05-15-85	500,000	505,000	8.650
Dupont	500	8.500	05-01-06	500,000	503,350	8.500
Halliburton	500	9.250	04-01-00	497,623	522,500	9.301
Hooker Chemical	529	10.500	06-29-96	529,167	615,624	10.509
Ingersoll Rand	500	8.750	05-01-85	498,675	482,500	8.796
International Harvester	500	9.000	06-15-04	496,271	477,950	9.080
International Minerals & Chemicals	500	9.350	11-01-00	500,000	510,000	9.350
International Paper	500	8.850	12-15-00	500,000	507,500	8.850
Kewanee Oil	400	7.625	05-15-97	400,000	340,320	7.625
N. L. Industries	500	9.375	07-01-00	500,000	50[illegible]	9.375
Nabisco	350	7.750	11-01-03	348,403	320,[illegible]	7.793
Phillips Petroleum	500	8.875	11-15-00	500,000	505,000	8.875
RCA	600	10.200	08-15-92	600,000	630,000	10.200
Sears & Roebuck	500	8.000	04-01-06	496,757	485,000	8.020
Shell Oil	500	8.750	05-15-05	496,386	506,250	8.821
Standard Oil—California	333	7.500	01-01-99	333,335	303,030	7.500
Systems Building	756	8.000	07-01-97	755,690	702,135	8.000
Texaco	1,000	8.500	04-01-06	992,563	990,000	8.570
Union Oil—California	500	7.500	01-01-98	500,000	455,625	7.500
Union Oil—California	1,400	8.625	03-01-06	1,389,609	1,379,000	8.700
TOTAL	$ 17,771			$ 17,722,525	$ 17,505,322	
TRANSPORTATION						
American Rail Box Car	$ 461	9.125	11-01-90	$ 461,080	$ 488,660	9.125
Atchison Topeka & Santa Fe	1,011	8.625	09-19-89	1,010,855	1,094,408	8.625
Burlington Northern	500	7.375	12-01-86	498,354	466,150	7.431
Burlington Northern	500	8.600	01-15-99	500,000	470,000	8.600
California & Hawaiian Sugar	467	8.250	08-24-93	467,466	446,560	8.250
Colonial Pipeline	480	7.875	06-01-02	480,000	453,600	7.875
Exxon Pipeline	500	8.050	10-15-80	500,000	506,050	8.050
General American Transport	500	8.750	05-01-81	500,000	531,250	8.750

PUBLIC EMPLOYEES' RETIREMENT SYSTEM FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
TRANSPORTATION						
Great Northern	$ 135	4.125	03-01-77	$ 134,830	$ 133,144	4.319
Great Northern	300	4.125	02-01-78	287,072	288,375	7.400
Lakehead Pipeline	200	7.600	06-15-97	200,000	177,760	7.600
Michigan Wisconsin Pipeline	300	7.625	10-01-92	298,169	271,125	7.699
Norfolk & Western	25	3.875	01-01-78	24,314	23,813	6.219
Northern Pacific	100	4.125	01-09-77	99,872	99,500	4.399
St. Louis Southwestern	400	7.125	02-01-78	400,652	402,000	7.000
Sea Vessel 1730	333	7.500	01-01-99	333,335	303,030	7.500
Trailer Train	500	8.750	04-01-89	500,000	509,375	8.730
Trailer Train	483	11.250	07-15-89	483,292	586,241	11.250
Union Pacific	500	8.600	05-01-83	500,000	512,500	8.600
Union Pacific	500	8.400	03-01-01	500,000	494,750	8.400
TOTAL	$ 8,195			$ 8,179,291	$ 8,258,600	
PUBLIC UTILITIES						
Alabama Power	$ 500	10.500	12-01-05	$ 500,000	$ 522,500	10.500
American Tel. & Tel.	100	2.750	08-01-80	95,593	85,110	4.369
American Tel. & Tel.	400	5.625	08-01-95	401,905	300,520	5.579
American Tel. & Tel.	100	5.625	08-01-95	100,476	75,130	5.582
American Tel. & Tel.	225	5.625	08-01-95	193,653	169,043	7.124
American Tel. & Tel.	150	4.375	10-01-96	149,585	94,605	4.397
American Tel. & Tel.	100	4.750	06-01-98	104,908	65,670	4.371
American Tel. & Tel.	400	4.375	05-01-99	402,369	246,000	4.330
American Tel. & Tel.	31	4.375	05-01-99	39,945	19,065	4.388
American Tel. & Tel.	65	4.375	05-01-99	64,634	39,975	4.417
American Tel. & Tel.	400	8.700	12-01-02	400,000	404,000	8.700
Arizona Public Service	700	7.450	03-15-02	700,000	566,160	7.459
Arkansas Louisiana Gas	200	4.375	04-01-83	199,234	162,760	4.452
Atlantic City Electric	225	4.375	03-01-93	226,256	135,563	4.323
Baltimore Gas & Electric	200	4.500	07-15-94	201,639	122,500	4.426
Bell Tel.—Pennsylvania	500	8.625	07-01-06	528,087	493,400	8.075
Bell Tel.—Pennsylvania	200	6.750	05-01-08	200,000	163,000	6.750
Bell Tel.—Pennsylvania	250	8.000	08-01-09	261,653	237,000	7.578
Boston Edison	23	3.000	08-01-84	20,863	14,893	4.325
Boston Edison	143	4.625	06-01-87	129,746	95,168	6.066
Boston Edison	350	4.750	11-01-95	353,350	197,750	4.669
Carolina Power & Light	50	6.875	10-01-98	46,965	38,440	7.500
Central Illinois Light	125	9.125	08-01-00	129,487	123,125	8.721
Central Illinois Light	500	9.250	05-01-06	496,263	496,900	9.330
Central Illinois Public Service	115	4.500	05-01-94	115,932	71,588	4.427
Central Tel.—Delaware	500	7.600	10-01-97	500,000	436,500	7.600
Chesapeake & Potomac Tel.—Maryland	60	4.125	12-01-93	49,337	36,900	6.039

PUBLIC EMPLOYEES' RETIREMENT SYSTEM FUND

PUBLIC UTILITIES	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
Chesapeake & Potomac Tel.—Maryland	$ 615	6.625	10-01-08	$ 616,870	$ 492,000	6.5[illegible]
Chesapeake & Potomac Tel.—Virginia	200	5.250	05-01-05	202,423	132,260	5.159
Chesapeake & Potomac Tel.—Virginia	250	5.625	03-01-07	253,582	173,450	5.513
Chesapeake & Potomac Tel.—Virginia	700	5.625	03-01-07	586,966	485,660	7.059
Chesapeake & Potomac Tel.—Virginia	265	6.750	05-01-08	265,546	214,650	6.731
Chesapeake & Potomac Tel.—Virginia	500	8.750	03-01-10	493,345	494,570	8.867
Chesapeake & Potomac Tel.—Washington, D.C.	100	4.375	02-01-98	99,637	60,130	4.493
Chesapeake & Potomac Tel.—West Virginia	400	7.250	05-01-09	402,294	342,520	7.[illegible]
Cincinnati Bell Tel.	500	7.375	03-01-11	498,570	435,650	7.[illegible]
Cincinnati Gas & Electric	200	7.375	05-01-99	201,223	17[illegible],290	7.512
Cleveland Electric	100	2.750	09-01-85	87,154	6[illegible],[illegible]0	1[illegible].9
Cleveland Electric	140	7.125	01-15-90	141,333	119,700	6.993
Commonwealth Edison	85	4.250	03-01-87	84,612	61,736	4.318
Commonwealth Edison	215	4.250	03-01-87	190,776	156,155	5.958
Commonwealth Edison	100	4.625	03-01-90	101,609	69,630	4.459
Commonwealth Edison	100	4.625	03-01-90	101,601	69,630	4.457
Commonwealth Edison	400	8.750	03-01-05	400,000	393,000	8.759
Connecticut Light & Power	212	6.875	10-01-98	210,424	165,890	6.929
Connecticut Light & Power	270	6.875	10-01-98	266,927	211,275	6.9[illegible]5
Consolidated Edison—New York	250	7.900	04-15-02	250,000	194,250	7.[illegible]
Consolidated Edison—New York	200	7.900	04-15-02	197,403	155,400	8.056
Consolidated Edison—New York	200	7.900	04-15-02	196,970	155,400	8.088
Consolidated Edison—New York	250	7.900	04-15-02	247,295	194,250	8.011
Consolidated Natural Gas	500	9.250	07-01-95	500,000	509,400	9.250
Consumers Power	40	4.625	08-01-89	40,770	25,200	4.334
Consumers Power	300	11.375	08-01-94	300,000	317,640	11.375
Consumers Power	50	6.875	05-01-98	50,285	37,375	6.815
Dayton Power & Light	500	8.125	08-01-01	498,931	454,400	8.147
Dayton Power & Light	500	8.000	11-01-03	500,000	445,650	8.060
Dayton Power & Light	500	10.700	08-01-05	500,000	547,500	10.700
Delaware Power & Light	200	4.625	10-01-94	202,966	121,000	4.494
Detroit Edison	665	9.000	12-01-99	723,985	564,452	8.076
Detroit Edison	500	9.875	05-01-04	488,913	453,150	10.138
Diamond State Tel.	100	4.625	09-01-05	100,219	59,000	4.610
Duke Power	200	4.500	02-01-92	202,659	128,000	4.367
Duke Power	200	5.375	04-01-97	201,130	135,160	5.324
Duke Power	175	6.375	02-01-98	176,044	132,650	6.318
Duquesne Light	300	7.000	01-01-99	298,785	241,890	7.040
Duquesne Light	245	7.750	07-01-99	247,560	215,600	7.542
Duquesne Light	350	8.750	03-01-00	350,000	331,705	8.750
Equitable Gas	478	8.000	06-15-97	478,000	473,913	8.000
Florida Power & Light	250	4.625	04-01-91	254,733	157,[illegible]	4.457

PUBLIC EMPLOYEES' RETIREMENT SYSTEM FUND

PUBLIC UTILITIES	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
Florida Power & Light	$ 200	5.000	12-01-95	$ 126,112	$ 129,260	9.200
Florida Power & Light	300	7.750	09-01-01	304,514	265,500	7.599
Florida Power	200	9.000	11-01-00	205,490	196,500	8.692
General Tel.—Midwest	500	7.625	01-01-03	500,000	431,250	7.625
General Tel.—Southwest	300	7.500	10-01-02	296,908	253,590	7.600
Georgia Power	300	7.375	03-01-01	294,251	237,750	7.565
Georgia Power	500	7.500	12-01-02	[illegible]	395,800	7.590
Gulf States Utilities	250	6.750	10-01-98	237,286	200,325	7.266
Houston Lighting & Power	50	6.750	11-01-97	50,640	40,440	6.623
Idaho Power	100	4.500	10-15-88	100,718	68,750	4.415
Idaho Power	100	4.500	11-01-91	101,254	64,000	4.375
Illinois Bell Tel.	35	4.250	03-01-88	30,723	24,983	6.015
Indiana & Michigan Electric	215	4.375	08-01-93	215,169	115,563	4.367
Indiana Bell Tel.	450	4.375	06-01-03	451,645	257,085	4.348
Indiana Bell Tel.	200	5.500	04-01-07	201,363	135,760	5.449
Iowa Illinois Gas & Electric	500	8.750	04-01-06	498,760	485,650	8.770
Iowa Public Service	200	7.375	06-01-02	195,069	167,000	7.588
Jersey Central Power & Light	500	8.000	11-01-01	505,331	418,750	7.890
Kansas City Power & Light	225	5.750	05-15-97	225,650	162,293	5.723
Kansas City Power & Light	200	6.750	04-01-98	201,755	160,500	6.662
Kansas City Power & Light	260	7.125	02-01-99	261,437	216,788	7.069
Kentucky Power	500	5.125	01-01-96	386,340	315,650	7.650
Lone Star Gas	500	7.500	12-01-96	498,970	430,000	7.522
Louisville Gas & Electric	45	2.750	11-01-79	42,625	38,700	4.263
Michigan Bell Tel.	175	6.375	02-01-05	176,154	133,438	6.319
Michigan Bell Tel.	450	6.375	02-01-05	447,656	343,125	6.419
Michigan Consolidated Gas	30	4.500	03-15-88	30,399	20,850	4.338
Minnesota Gas	200	7.875	12-01-96	200,000	178,260	7.875
Minnesota Power & Light	500	10.500	08-01-05	500,000	538,150	10.500
Mississippi Power & Light	500	7.750	05-01-02	500,000	433,750	7.750
Montana Power	20	4.500	04-01-89	20,228	13,800	4.367
Montana Power	221	4.500	04-01-89	222,621	152,490	4.415
Montana Power	400	7.500	04-01-01	400,000	339,080	7.5[illegible]
Montana Power	500	8.625	03-01-04	501,234	490,000	8.6[illegible]
Montana Power	500	9.600	07-01-05	500,000	517,500	9.600
Mountain States Tel. & Tel.	500	8.700	09-01-81	500,000	516,400	8.700
Mountain States Tel. & Tel.	100	4.375	02-01-88	99,593	72,250	4.426
Mountain States Tel. & Tel.	100	4.375	02-01-88	98,201	72,250	5.996
Mountain States Tel. & Tel.	100	4.375	02-01-88	88,845	72,250	4.602
Mountain States Tel. & Tel.	200	5.000	04-01-00	206,590	130,760	4.746
Mountain States Tel. & Tel.	100	5.500	06-01-05	100,663	68,880	5.449
Mountain States Tel. & Tel.	300	6.000	08-01-07	300,000	220,890	6.000

PUBLIC EMPLOYEES' RETIREMENT SYSTEM FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
PUBLIC UTILITIES						
Mountain States Tel. & Tel.	$ 200	6.000	03-01-07	$ 200,000	$ 147,260	5.947
Mountain States Tel. & Tel.	160	6.000	03-01-07	153,899	117,808	6.399
Mountain States Tel. & Tel.	80	9.000	11-01-10	80,000	81,200	9.000
Mountain States Tel. & Tel.	500	9.750	08-01-12	499,673	531,250	9.820
New England Tel. & Tel.	100	4.625	04-01-99	102,039	61,250	4.467
New England Tel. & Tel.	200	6.125	10-01-06	201,647	147,500	6.039
New England Tel. & Tel.	350	6.125	10-01-06	350,000	258,125	6.125
New Jersey Bell Tel.	150	5.875	12-01-06	151,709	109,125	5.786
New Jersey Bell Tel.	300	6.625	04-01-08	301,323	240,390	6.536
New Jersey Bell Tel.	200	9.350	06-01-10	200,000	207,180	9.359
New Jersey Bell Tel.	1,040	7.250	01-01-11	1,016,809	894,400	7.417
New York State Electric & Gas	100	5.625	01-01-97	83,650	68,750	7.357
New York Tel.	176	4.500	05-15-91	151,519	119,240	5.969
New York Tel.	800	4.500	05-15-91	638,362	542,000	6.956
New York Tel.	69	4.125	07-01-93	57,284	42,780	5.988
New York Tel.	150	4.625	10-01-97	152,019	94,875	4.516
New York Tel.	100	4.625	10-01-97	85,784	63,250	5.996
New York Tel.	65	4.625	01-01-02	65,941	39,572	4.521
New York Tel.	470	4.625	01-01-04	476,415	282,000	4.529
New York Tel.	450	4.875	01-01-06	453,679	279,585	4.818
New York Tel.	171	4.875	01-01-06	148,219	106,242	5.983
New York Tel.	300	8.000	07-15-08	314,064	280,470	6.445
New York Tel.	250	7.500	03-01-09	253,494	220,950	7.374
North Electric	500	8.625	09-01-96	500,000	493,750	8.625
Northern Illinois Gas	200	7.625	07-01-97	200,463	178,000	7.539
Northern Indiana Public Service	150	4.625	05-15-95	152,203	95,610	4.499
Northern States Power	250	4.500	08-01-91	252,154	152,200	4.423
Northwestern Bell Tel.	150	4.375	05-01-89	132,207	104,625	5.974
Northwestern Bell Tel.	175	4.375	03-01-03	177,403	101,500	4.283
Northwestern Bell Tel.	500	6.250	01-01-07	497,886	382,500	6.284
Northwestern Bell Tel.	150	7.000	01-01-09	150,000	124,875	7.000
Northwestern Bell Tel.	200	7.000	01-01-09	199,795	166,500	7.009
Northwestern Bell Tel.	300	7.875	01-01-11	313,382	279,390	7.479
Ohio Bell Tel	200	5.000	02-01-06	201,638	127,[illegible]	4.942
Ohio Bell Tel.	325	5.375	03-01-07	325,000	219,375	5.375
Ohio Bell Tel.	395	6.750	07-01-08	396,716	319,950	6.713
Ohio Bell Tel.	100	8.750	01-01-10	100,222	98,930	8.727
Ohio Edison	50	4.500	04-01-89	50,434	33,000	4.400
Ohio Edison	300	8.250	09-01-99	304,962	269,640	8.071
Ohio Edison	250	9.250	05-01-00	250,528	243,125	9.225
Pacific Gas & Electric	100	4.500	06-01-96	100,511	59,920	4.455
Pacific Gas & Electric	100	4.500	06-01-96	101,073	59,920	4.410

PUBLIC EMPLOYEES' RETIREMENT SYSTEM FUND

PUBLIC UTILITIES	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
Pacific Gas & Electric	$ 100	5.500	06-01-99	$ 82,866	$ 67,750	7.201
Pacific Gas & Electric	380	8.000	06-01-03	399,693	338,200	7.502
Pacific Northwest Bell Tel.	140	4.500	11-01-94	120,098	87,950	5.997
Pacific Northwest Bell Tel.	281	4.500	12-01-00	281,000	168,965	4.500
Pacific Northwest Bell Tel.	110	6.750	12-01-07	111,317	88,550	6.649
Pacific Northwest Bell Tel.	250	6.750	12-01-07	255,093	201,250	6.580
Pacific Northwest Bell Tel.	150	6.750	12-01-07	155,951	120,750	6.426
Pacific Northwest Bell Tel.	500	6.750	12-01-07	363,830	402,500	9.650
Pacific Northwest Bell Tel.	200	7.750	08-01-09	200,000	181,420	7.750
Pacific Northwest Bell Tel.	300	7.750	08-01-09	294,054	272,130	7.937
Pacific Northwest Bell Tel.	100	8.625	10-01-10	99,022	98,000	8.726
Pacific Northwest Bell Tel.	300	8.625	10-01-10	315,978	294,270	8.115
Pacific Tel. & Tel.	100	5.125	08-01-80	101,419	91,380	4.740
Pacific Tel. & Tel.	100	5.125	08-01-80	101,248	91,280	4.693
Pacific Tel. & Tel.	73	3.125	09-15-83	67,242	54,568	4.360
Pacific Tel. & Tel.	100	4.375	03-15-88	88,782	[illegible]	[illegible]
Pacific Tel. & Tel.	50	4.625	05-01-00	50,000	30,750	4.617
Pacific Tel. & Tel.	80	4.625	05-01-00	81,000	49,200	4.625
Pacific Tel. & Tel.	175	6.000	11-01-02	176,056	126,840	5.949
Pacific Tel. & Tel.	200	6.000	11-01-02	202,649	144,960	5.890
Pacific Tel. & Tel.	1,000	6.000	11-01-02	881,734	724,800	7.008
Pacific Tel. & Tel.	300	6.000	11-01-02	220,010	217,440	8.700
Pacific Tel. & Tel.	300	8.750	10-01-06	299,674	292,170	8.761
Pacific Tel. & Tel.	360	7.300	03-01-07	360,909	325,930	7.800
Pacific Tel. & Tel.	300	7.300	03-01-07	308,574	271,500	7.535
Pacific Tel. & Tel.	200	9.500	06-15-11	189,534	224,750	10.670
Pennsylvania Electric	200	4.625	10-01-94	202,967	116,000	4.494
Philadelphia Electric	10	3.125	01-01-85	9,218	6,728	4.372
Philadelphia Electric	16	3.125	01-01-85	14,658	10,781	4.244
Philadelphia Electric	175	4.500	05-01-94	175,992	105,875	4.149
Philadelphia Electric	250	6.125	10-01-97	250,600	181,875	6.102
Philadelphia Electric	50	6.125	10-01-97	48,857	36,375	6.311
Potomac Edison	100	4.625	03-01-91	100,846	60,750	4.568
Potomac Electric Power	300	4.375	02-15-98	302,168	168,750	4.318
Potomac Electric Power	200	7.750	10-01-07	200,147	166,840	7.730
Public Service—Colorado	100	4.625	05-01-89	101,717	69,380	4.133
Public Service—Colorado	100	4.500	10-01-91	100,619	65,250	4.436
Public Service—New Mexico	200	7.500	06-15-02	197,919	173,260	7.600
Rochester Gas & Electric	100	4.625	09-15-91	101,577	59,880	4.494
Rochester Gas & Electric	100	4.625	09-15-91	101,479	59,880	4.486
South Central Bell Tel.	200	8.500	11-[illegible]-04	200,928	195,920	8.449
Southern Bell Tel. & Tel.	53	4.600	10-01-83	47,867	42,356	6.101

PUBLIC EMPLOYEES' RETIREMENT SYSTEM FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
PUBLIC UTILITIES						
Southern Bell Tel. & Tel.	$ 100	4.625	12-01-93	$ 102,134	$ 66,630	4.426
Southern Bell Tel. & Tel.	100	4.625	12-01-93	102,134	65,630	4.441
Southern Bell Tel. & Tel.	105	5.000	12-01-97	108,220	70,350	4.755
Southern Bell Tel. & Tel.	100	4.375	03-01-88	97,197	[illegible]	4.589
Southern Bell Tel. & Tel.	300	8.000	07-01-99	302,184	282,930	7.911
Southern Bell Tel. & Tel.	50	4.750	09-01-00	50,163	31,420	4.654
Southern Bell Tel. & Tel.	50	4.750	09-01-00	50,629	31,420	4.679
Southern Bell Tel. & Tel.	300	4.750	09-01-00	229,360	188,520	6.297
Southern Bell Tel. & Tel.	130	4.375	08-01-03	130,238	75,244	4.361
Southern Bell Tel. & Tel.	70	4.375	08-01-03	69,733	40,516	4.302
Southern Bell Tel. & Tel.	100	6.000	10-01-04	102,998	73,620	5.762
Southern Bell Tel. & Tel.	200	6.000	10-01-04	205,791	147,240	5.770
Southern Bell Tel. & Tel.	300	6.000	10-01-04	264,806	220,860	7.060
Southern Bell Tel. & Tel.	350	6.000	10-01-04	306,655	257,670	7.127
Southern Bell Tel. & Tel.	1,500	8.250	04-15-46	1,492,533	1,443,750	8.290
Southern California Edison	200	4.375	05-15-88	201,062	140,260	4.316
Southern California Edison	200	4.375	03-01-89	199,176	137,000	4.421
Southern California Edison	250	6.125	08-15-91	229,241	197,500	7.113
Southern California Gas	200	4.375	07-01-88	200,935	139,000	4.319
Southern California Gas	200	5.875	12-01-91	177,173	153,260	7.261
Southern California Gas	300	7.625	09-01-97	300,652	265,140	7.602
Southern California Gas	200	7.625	09-01-97	200,843	176,760	7.579
Southern New England Tel.	100	7.750	06-01-04	100,000	89,690	7.750
Southwestern Bell Tel.	135	4.500	08-01-97	137,664	83,646	4.345
Southwestern Bell Tel.	100	8.250	09-01-05	101,103	95,970	8.139
Southwestern Bell Tel.	495	6.750	06-01-08	502,510	400,653	6.624
Southwestern Bell Tel.	410	6.750	06-01-08	420,610	331,854	6.537
Southwestern Bell Tel.	100	6.750	06-01-08	103,571	80,940	6.559
Southwestern Electric Power	300	4.375	04-01-93	300,566	187,500	4.356
Southwestern Public Service	70	4.500	02-01-94	70,348	43,750	4.454
Southwestern Public Service	30	4.500	02-01-94	30,000	18,765	4.500
Tennessee Valley Authority	150	9.000	03-15-95	152,409	153,750	8.799
Texas Electric Service	300	4.375	04-01-93	301,976	192,300	4.314
Texas Electric Service	200	4.500	02-01-95	201,152	127,260	4.454
Texas Power & Light	100	4.500	01-01-91	101,401	67,380	4.360
Texas Power & Light	100	8.875	09-01-00	102,006	99,530	8.651
Tucson Gas & Electric	250	4.550	02-01-95	250,000	154,375	4.550
Union Electric	100	4.500	11-01-93	100,621	60,630	4.441
United Illuminating	500	8.250	12-15-03	500,000	438,750	8.250
United Inter-Mountain Tel.	485	11.000	10-01-99	485,000	592,306	11.000
United Tel. - Carolinas	500	9.875	10-01-00	500,000	556,250	9.875
United Tel.—Carolinas	485	7.875	10-01-02	485,000	441,350	7.875

PUBLIC EMPLOYEES' RETIREMENT SYSTEM FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
PUBLIC UTILITIES						
United Tel.—Missouri	$ 485	7.875	06-01-03	$ 485,000	$ 441,350	7.875
United Tel.—Northwest	500	10.750	09-01-99	500,000	598,750	10.750
Utah Power & Light	300	7.500	05-01-02	300,000	253,140	7.500
Utah Power & Light	500	10.250	11-01-05	502,450	535,600	10.190
Virginia Electric & Power	100	4.500	12-01-93	100,716	61,750	4.432
Washington Water Power	200	4.625	09-01-94	200,000	123,500	4.625
Wisconsin Power & Light	49	4.625	03-01-89	49,813	34,364	4.436
Wisconsin Public Service	300	4.500	06-01-94	301,035	187,500	4.469
TOTAL	$ 62,171			$ 61,156,945	$ 51,004,784	
COMMON STOCK HOLDINGS	$ 6,624			$ 6,623,685	$ 8,417,916	
MORTGAGES	$ 20,051			$ 20,050,953	$ 20,050,953	
BUILDING & LAND	$ 156			$ 156,249	$ 156,249	
TOTAL INVESTMENTS	$ 140,280			$ 139,122,858	$ 129,918,572	

COMMON STOCK PORTFOLIO
06-30-76*

INDUSTRY/COMPANY	SHARES	COST	MARKET 06-30-76	ANNUAL DIVIDEND P/S	% YIELD
AIRLINES					
Delta	6,000	$ 205,914	$ 267,000	$ .60	1.75
BANKING					
Citcorp	4,000	113,825	144,500	.96	3.37
Mfs. Hanover	10,000	380,905	395,000	1.80	4.73
NW Bancorporation	9,000	380,600	479,250	1.70	4.02
Wells Fargo	19,000	337,544	456,000	1.60	5.63
CHEMICAL					
American Cyanamid	16,000	329,192	408,000	1.50	7.29
Hercules	7,000	221,711	225,750	.80	2.53
Monsanto	6,000	352,591	559,500	2.80	4.76
Union Carbide	4,000	263,515	270,500	2.50	3.79
CONSUMER GOODS					
General Mills	16,000	385,141	504,000	.76	3.16
Pillsbury	2,172	56,322	79,550	1.00	3.86
R.J. Reynolds	5,000	307,770	281,875	3.08	5.00
DRUGS					
Abbot Labs	16,000	425,153	708,000	.88	3.31
Bristol Myers	6,000	261,585	477,000	1.80	4.13
Smith Kline	8,000	358,511	565,000	2.00	4.46
ELECTRONICS					
RCA	20,000	354,269	580,000	1.00	5.65
INSURANCE					
Farmers Group	6,000	115,500	130,500	.40	2.08
St. Paul Companies	14,000	400,500	381,500	.72	2.52
MISCELLANEOUS SERVICES					
CBS	4,000	198,367	235,000	1.66	3.35
Household Finance	10,000	182,153	185,000	1.10	6.04
Owens Illinois	11,000	383,784	665,500	1.88	5.39
OFFICE EQUIPMENT					
IBM	2,100	447,673	581,175	7.00	3.28
PAPER & FOREST PRODUCTS					
Georgia Pacific	11,839	355,221	609,709	1.20	4.00
International Paper	9,000	391,222	657,000	2.00	4.60

COMMON STOCK PORTFOLIO
06-30-76*

	SHARES	COST	MARKET 06-30-76	ANNUAL DIVIDEND P/S	% YIELD
PETROLEUM & GAS					
Arkansas Louisiana Gas	20,000	$ 324,981	$ 540,000	$ 1.70	10.46
Atlantic Richfield	4,000	339,601	418,000	3.20	3.87
Exxon	5,000	448,450	523,125	5.15	5.74
Mobil Oil	9,000	448,979	538,875	3.40	6.81
Phillips Petroleum	9,000	397,643	552,375	1.80	4.07
Standard Oil of Indiana	10,000	476,764	505,000	2.30	4.82
Union Oil of California	12,000	452,381	657,000	2.10	5.57
RETAIL					
Safeway	7,000	238,018	285,250	2.00	5.88
TIRE & RUBBER					
Goodyear	22,000	355,713	506,000	1.10	6.80
UTILITIES (COMMUNICATIONS)					
American Tel. & Tel.	7,000	316,965	395,500	3.80	8.39
Central Telephone	18,000	332,151	396,000	1.36	7.37
Communication Satellite	12,000	414,246	313,500	1.00	2.90
UTILITIES (ELECTRICAL)					
Arizona Public Service	26,000	439,485	409,500	1.36	8.05
Florida Power & Light	16,000	421,907	382,000	1.56	5.92
Montana Power	14,000	383,603	343,000	1.80	6.57
Texas Utilities	16,000	312,886	304,000	1.32	6.75
TOTAL	429,111	$ 13,303,741	$ 16,915,434		Avg. 5.11%

*Public Employees' Retirement System and Teachers' Retirement System each own 50% with one exception. The Pillsbury holding is entirely owned by Teachers' Retirement System.

COMMON STOCK PERFORMANCE COMPARISONS

Annualized Time-Weighted Total Rates of Return

	Quarter Ending				Fiscal Year
	Sept. 30, '75	Dec. 31, '75	March 31, '75	June 30, '76	1976
MONTANA	-7.42%	9.91%	12.08%	4.41%	19.08%
A. G. Becker 1st Quartile*	-12.21%	9.85%	15.08%	2.98%	11.57%
A. G. Becker Median*	-13.94%	7.89%	13.51%	1.69%	8.07%
S & P 500	-10.97%	8.66%	15.01%	2.49%	14.03%

*A. G. Becker sample includes over 3,000 funds managed throughout the country.

TEACHERS' RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
REPURCHASE AGREEMENTS						
Bank of America—San Francisco	$ 961	5.450	07-12-76	$ 961,000	$ 961,000	5.450
Bank of America—San Francisco	970	5.600	07-19-76	970,000	970,000	5.600
TOTAL	$ 1,931			$ 1,931,000	$ 1,931,000	
U.S. TREASURY						
U.S. Treasury Bonds	$ 500	7.875	02-15-00	$ 482,889	$ 490,000	8.200
TOTAL	$ 500			$ 482,889	$ 490,000	
FEDERAL AGENCIES						
Davern Park Apartments	$ 100	5.150	04-01-05	$ 101,581	$ 64,875	5.036
Federal Housing Administration	14	4.125	12-29-84	14,150	10,700	4.125
Gateway Manor	100	5.000	02-01-04	100,000	63,750	5.000
International Bank for Reconstruction	500	8.125	08-01-96	500,000	470,000	8.125
Martin Luther Tower	153	5.150	05-01-06	142,518	98,876	5.732
Presbyterian Ministries	25	5.000	11-01-03	25,313	15,938	4.881
Rocky Mountain Methodist Homes	56	5.150	07-01-05	56,000	36,330	5.150
Two Buttes Water	125	8.750	03-12-10	125,064	129,844	8.750
Walnut Creek Manor	91	5.150	10-01-04	91,000	59,264	5.150
TOTAL	$ 1,164			$ 1,155,626	$ 949,577	
U.S. GOVERNMENT GUARANTEED						
Gulf Reston Properties	$ 491	7.950	12-20-93	$ 490,625	$ 451,106	7.950
Northwest Shipping	1,000	8.350	07-01-96	1,000,000	1,015,000	8.350
Texaco Star Tankers	1,000	9.250	07-03-99	1,000,000	1,048,750	9.250
TOTAL	$ 2,491			$ 2,490,625	$ 2,514,856	
CANADIAN OBLIGATIONS						
Bell Tel—Canada	$ 500	9.500	06-01-04	$ 500,000	$ 500,000	9.500
British Columbia Hydro & Power	500	9.625	06-01-05	498,795	510,000	9.650
Canadian National Railway	992	8.500	07-15-89	992,057	901,480	8.500
Canadian National Railway	500	9.000	07-01-91	500,000	470,625	9.000
Canadian Pacific Equipment	500	10.125	07-02-90	500,000	514,375	10.125
Manitoba Hydro Electric	500	9.375	12-01-04	482,225	496,250	9.763
Municipal Finance Authority of B.C.	1,000	8.875	05-01-01	1,000,000	947,500	8.875
New Brunswick Electric Power	500	9.375	05-01-01	500,000	487,500	9.375
Nova Scotia Power	500	10.500	09-15-00	500,000	527,500	10.500
Ontario Hydro	1,000	9.500	03-15-96	1,000,000	1,000,000	9.500
Quebec Hydro Electric	800	10.700	08-01-99	800,000	888,000	10.700
Quebec Hydro Electric	500	8.500	08-01-03	490,265	455,600	8.700

TEACHERS' RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
CANADIAN OBLIGATIONS						
Quebec Hydro Electric	$ 500	8.500	08-01-03	$ 497,709	$ 455,600	8.550
Quebec Hydro Electric	500	8.250	01-01-04	497,683	443,100	8.295
TOTAL	$ 8,792			$ 8,758,736	$ 8,597,530	
CORPORATE OBLIGATIONS						
COMMERCIAL PAPER						
Georgia Pacific	$ 2,000	0.000	07-09-76	$ 1,997,275	$ 1,997,275	5.450
TOTAL	$ 2,000			$ 1,997,275	$ 1,997,275	
CONVERTIBLES						
Aluminum Co.—America	$ 50	5.250	09-15-91	$ 52,409	$ 55,000	4.483
Ashland Oil	50	4.750	08-15-93	52,586	36,750	4.254
Carolina Tel	63	5.750	01-15-88	57,714	51,660	7.035
Chase Manhattan	100	6.500	05-01-96	100,000	40,125	6.500
Citicorp	100	5.750	06-30-00	100,000	103,500	5.750
First Bank System	100	6.250	06-30-00	100,000	106,250	6.250
Georgia Pacific	100	6.250	05-15-00	100,000	115,500	6.250
Hercules	200	6.500	06-30-99	200,000	217,000	6.500
MCIC Investment	55	5.000	12-15-93	55,000	30,113	5.000
McGraw Hill	49	3.875	05-01-92	46,892	28,665	4.313
J. P. Morgan	150	4.750	11-01-98	150,000	138,750	4.750
National Cash Register	100	6.000	05-01-95	100,000	82,000	6.000
Pittson	200	4.000	07-01-97	200,000	107,000	4.000
West Point Pepperell	250	7.750	10-15-00	250,000	268,750	7.750
Witco Chemical	20	4.500	12-15-93	20,000	14,025	4.500
TOTAL	$ 1,587			$ 1,584,601	$ 1,395,038	
FINANCIAL						
Associates Corp—North America	$ 300	7.375	12-01-88	$ 298,540	$ 261,390	7.444
Avco Financial Services	250	7.875	05-01-92	248,013	213,750	7.976
Avco Financial Services	500	7.625	12-01-97	500,000	407,500	7.625
Beneficial Finance	50	5.000	11-01-90	38,589	35,485	8.359
CIT Financial	150	6.375	10-01-86	140,429	127,875	7.419
CIT Financial	150	4.625	05-01-89	109,861	105,090	9.028
CNA Financial	250	8.500	12-15-95	249,025	202,800	8.549
Chrysler Financial	100	7.700	03-01-92	98,621	76,750	7.877
Clark Equipment Credit	300	7.850	12-15-91	300,000	270,000	7.850
Commercial Credit	600	4.375	04-01-81	548,400	509,280	7.061
Commercial Credit	500	7.750	02-15-92	496,094	434,850	7.851
Dominion Bankshares	200	7.750	11-15-96	200,000	176,260	7.750

TEACHERS' RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
FINANCIAL						
First Security Corp	$ 500	7.000	10-01-79	$ 500,000	$ 478,750	7.000
Ford Motor Credit	500	7.250	05-01-79	501,423	492,500	7.124
Ford Motor Credit	500	7.250	05-01-79	499,406	492,500	7.302
General Motors Acceptance	180	4.625	06-15-86	138,771	137,286	8.994
Walter E. Heller	300	9.500	12-01-89	300,000	303,390	9.500
Industrial National	500	7.400	07-01-81	500,000	453,150	7.400
International Harvester Credit	200	8.625	08-01-91	200,000	182,500	8.625
International Harvester Credit	900	7.500	01-15-94	896,238	747,630	7.550
Northwest Bancorporation	500	7.750	03-15-03	500,000	435,650	7.750
Trailmobile Financial	500	7.875	03-15-93	496,865	443,150	7.950
Transamerica Financial	500	7.875	11-01-91	497,125	432,500	7.951
TOTAL	$ 8,430			$ 8,257,400	$ 7,451,116	
INDUSTRIAL						
Allied Chemical	$ 125	6.600	08-01-93	$ 125,000	$ 106,563	6.600
Allied Chemical	125	6.600	08-01-93	104,270	106,563	8.500
Allied Chemical	500	9.000	04-01-00	496,442	506,900	9.076
Anaconda	100	6.625	11-15-93	98,514	81,190	6.793
Anaconda	250	6.625	11-15-93	231,133	202,975	7.510
Armstrong Cork	250	8.000	05-15-96	250,000	239,075	8.000
Atlantic Richfield	300	8.625	04-01-00	300,000	295,530	8.625
Bendix	100	6.625	12-01-92	94,627	85,520	7.263
Berkshire Hathaway	500	8.000	03-01-93	500,000	467,500	8.000
Bethlehem Steel	500	8.450	03-01-05	500,000	492,500	8.450
Carnation	200	8.500	05-01-99	199,543	203,360	8.520
Caterpillar Tractor	300	5.300	04-01-92	268,176	237,210	6.524
Channelview Leasing	500	9.250	07-15-96	500,000	540,625	9.250
Channing House	92	5.000	05-01-04	94,117	58,535	4.851
Cities Service	525	6.625	08-01-99	459,973	430,605	8.043
Cities Service	250	6.625	08-01-99	232,550	205,050	7.330
Cities Service	500	9.750	10-01-00	497,573	525,000	9.800
Continental Oil	500	8.875	06-01-01	498,754	506,250	8.900
Dayton-Hudson	229	9.750	06-01-95	229,000	225,084	9.750
Dupont	500	8.500	05-01-06	500,000	503,350	8.500
Eaton, Yale & Towne	100	5.500	03-15-92	100,000	77,880	5.500
Food Maker	233	8.750	11-01-89	233,333	233,000	8.750
General Mills	200	8.875	10-15-95	200,000	200,460	8.875
Gulf Oil	50	6.625	06-15-93	50,000	42,650	6.625
Halliburton	500	9.250	04-01-00	497,623	522,500	9.301
Honeywell	100	5.600	03-01-92	100,000	78,750	5.600
Hooker Chemical	529	10.500	06-29-96	529,167	615,624	10.500
Ingersoll Rand	500	8.750	05-01-85	498,675	482,500	8.796

TEACHERS' RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
INDUSTRIAL						
Inland Steel	$ 500	9.500	09-01-00	$ 497,581	$ 528,150	9.550
International Harvester	100	6.250	03-01-98	100,000	73,250	6.250
International Paper	500	8.850	12-15-00	500,000	507,500	8.850
Kennecott Copper	300	7.875	05-01-01	292,539	276,360	8.144
Marathon Oil	250	8.500	02-01-00	249,505	246,225	8.523
May Department Stores	400	9.000	11-15-89	400,000	389,520	9.000
NLT	500	8.800	05-01-85	500,000	496,250	8.800
National Cash Register	50	5.600	06-15-91	42,390	39,375	7.626
Outboard Marine	100	7.750	02-01-96	99,608	90,250	7.795
Owens Illinois	500	7.625	04-01-01	449,647	458,150	8.610
Packaging Corp.—America	105	4.375	10-01-87	105,000	72,062	4.375
J. C. Penney	250	9.000	06-15-99	250,000	251,375	9.000
Pet	50	8.000	03-01-91	50,000	47,315	8.000
Phillip Morris	100	6.625	10-15-93	98,562	85,380	6.954
Phillip Morris	250	8.875	06-01-04	248,545	250,000	8.930
Phillips Petroleum	200	7.625	03-15-01	199,173	182,000	7.668
Pillsbury	225	8.750	11-01-95	225,000	221,625	8.750
Pullman Transport Leasing	200	7.750	06-15-92	200,000	177,500	7.750
RCA	600	10.200	08-15-92	600,000	630,000	10.200
Research Properties	250	8.250	11-01-99	250,000	237,500	8.250
R. J. Reynolds Tobacco	50	7.875	09-01-94	49,909	47,690	7.898
J. Schlitz Brewing	650	7.200	01-15-96	626,943	570,115	7.603
Sears & Roebuck	250	8.625	10-01-95	249,028	253,775	8.674
Sears & Roebuck	500	8.000	04-01-06	498,757	485,000	8.020
Shell Oil	200	5.300	03-15-92	199,686	152,900	5.318
Shell Oil	150	5.300	03-15-92	122,201	114,675	7.756
Shell Oil	500	8.750	05-15-05	496,386	506,250	8.821
Standard Oil—California	333	7.500	01-01-99	333,335	302,614	7.500
Standard Oil—New Jersey	250	6.500	07-15-98	250,000	208,075	6.500
Standard Oil—Ohio	250	8.500	01-01-00	249,502	245,325	8.523
Stauffer Chemical	250	8.125	06-01-96	248,005	239,075	8.229
Sunbeam	100	5.500	08-15-92	86,358	77,630	7.273
Sybron	100	7.500	04-15-94	98,880	90,250	7.636
Sybron	150	7.500	04-15-94	139,937	135,375	8.356
Systems Building	661	8.000	07-01-97	661,229	635,386	8.000
Texaco	1,000	8.500	04-01-06	992,563	900,000	8.570
Textron	200	7.500	07-15-97	200,000	181,000	7.500
Union Oil—California	500	7.500	01-01-98	500,000	446,250	7.500
Union Oil—California	150	6.625	06-01-98	148,577	125,460	6.722
Union Oil—California	1,000	8.625	03-01-06	992,578	985,000	8.700
U.S. Industries	350	7.750	06-01-97	350,000	251,580	7.750
U.S. Shoe	150	7.125	02-15-94	149,073	126,945	7.200
U.S. Steel	200	7.750	03-01-01	200,000	186,520	7.750

TEACHERS' RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
INDUSTRIAL						
Western Auto Supply	$ 450	7.850	01-15-96	$ 447,340	$ 415,710	7.919
Western Auto Supply	300	7.850	01-15-96	253,604	277,140	9.700
Westinghouse Electric	100	8.625	09-01-95	99,808	94,750	8.649
White Motor	125	6.750	03-01-93	125,000	66,250	6.750
Youngstown Sheet & Tube	840	4.600	07-01-95	617,679	480,900	7.558
Youngstown Sheet & Tube	350	10.500	08-01-00	350,000	355,250	10.500
TOTAL	$ 24,097			$ 23,482,398	$ 22,582,426	
TRANSPORTATION						
ACF Industries	$ 33	5.625	04-15-81	$ 33,000	$ 30,690	5.625
ACF Industries	80	5.500	04-15-82	80,000	72,200	5.500
American Rail Box Car	461	9.125	11-01-90	461,080	488,660	9.125
Atchison, Topeka & Santa Fe	500	7.250	05-01-78	500,000	499,375	7.250
Atchison, Topeka & Santa Fe	250	7.125	02-15-82	241,806	247,500	7.978
Burlington Northern	154	8.125	09-01-81	153,826	158,620	8.125
Burlington Northern	695	7.750	07-15-86	695,149	707,163	7.750
Burlington Northern	240	9.625	10-01-87	240,000	276,300	9.625
Burlington Northern	250	8.500	05-01-96	250,000	236,250	8.500
California & Hawaiian Sugar	467	8.250	08-24-93	467,466	446,569	8.250
Clinchfield	100	5.500	01-15-81	100,315	92,375	5.397
Exxon Pipeline	500	8.050	10-15-80	500,000	506,050	8.050
Fruit Growers	100	4.600	05-01-80	82,000	91,125	12.234
Fruit Growers	50	4.650	07-15-80	50,000	45,438	4.650
Fruit Growers Express	117	7.000	04-15-83	116,667	114,806	7.000
Fruit Growers Express	364	9.250	05-15-89	364,000	399,945	9.250
Grand Trunk Western	185	9.250	09-15-85	185,167	204,888	9.250
GSCX	201	9.750	06-15-86	200,543	227,130	9.750
Illinois Central	25	5.250	08-01-80	23,633	20,658	7.042
Lakehead Pipeline	50	6.500	08-01-92	45,142	41,250	7.761
Lakehead Pipeline	100	7.125	04-15-93	89,703	86,630	8.443
Lakehead Pipeline	200	7.600	06-15-97	200,000	177,760	7.600
Louiville & Nashville	100	7.000	03-01-84	100,000	95,125	7.000
Michigan Wisconsin Pipeline	100	8.000	04-15-91	98,147	90,880	8.260
Michigan Wisconsin Pipeline	200	7.625	12-15-91	198,418	177,500	7.725
Missouri Pacific	50	8.250	10-15-80	50,000	51,875	8.250
Norfolk & Western	150	8.875	10-01-84	150,000	161,625	8.875
Northern Pacific	98	5.500	03-01-82	98,000	90,160	5.500
Northern Pacific	129	6.625	02-01-84	129,358	121,905	6.625
Pennsylvania Central	374	10.000	11-15-85	373,960	218,323	10.000
Plantation Pipeline	383	4.500	02-01-94	300,412	237,939	6.875
Plantation Pipeline	250	7.000	02-01-99	250,000	207,188	7.000
St. Louis San Francisco	29	4.250	03-15-77	28,914	28,456	4.810

TEACHERS' RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
TRANSPORTATION						
St. Louis San Francisco	$ 29	4.250	03-15-78	$ 28,588	$ 27,659	4.77[illegible]
St. Louis San Francisco	14	4.250	03-15-79	13,732	13,003	4.743
St. Louis San Francisco	49	4.250	03-01-80	47,881	44,345	4.717
St. Louis San Francisco	80	5.750	03-01-82	80,000	74,700	5.750
St. Louis San Francisco	90	9.500	02-01-85	90,000	100,[illegible]	9.500
St. Louis San Francisco	248	9.750	07-01-85	248,193	282,[illegible]10	9.750
St. Louis Southwestern	400	7.125	02-01-78	400,652	400,500	7.000
Seaboard Coastline	144	6.375	12-15-82	143,773	135,756	6.375
Seaboard Coastline	195	10.500	03-01-85	194,545	230,344	10.500
Shell Pipeline	250	7.500	07-01-99	250,000	228,125	7.500
Spokane, Portland, & Seattle	132	9.625	03-01-85	132,131	147,345	9.625
Towson Equipment	228	8.500	01-01-85	227,834	234,840	8.500
Trailer Train	20	5.000	07-15-76	19,999	19,975	11.042
Trailer Train	280	7.125	12-01-82	272,195	274,750	7.770
Trailer Train	53	7.250	12-15-83	53,333	52,271	7.250
Trailer Train	167	10.500	07-15-85	166,667	193,511	10.500
Trailer Train	500	8.750	04-01-89	500,000	529,375	8.750
Transok Pipeline	500	9.000	11-01-80	500,000	510,000	9.000
Union Tank Car	46	9.300	11-15-89	46,000	46,290	9.300
Western Maryland	250	7.875	10-01-78	245,725	255,000	8.914
TOTAL	$ 10,660			$ 10,517,954	$ 10,453,245	
PUBLIC UTILITIES						
Alabama Power	$ 500	10.500	12-01-05	$ 500,000	$ 522,500	10.500
American Tel. & Tel.	100	7.000	02-15-01	99,384	86,440	7.060
Brooklyn Union Gas	757	4.375	05-28-88	574,486	493,034	8.309
Carolina Power & Light	100	4.500	11-01-91	101,169	60,750	4.366
Central Illinois Light	500	9.250	05-01-06	496,263	496,900	9.330
Central Illinois Public Service	25	4.750	01-01-89	20,681	17,658	7.377
Central Illinois Public Service	100	5.875	05-01-97	91,473	72,380	6.754
Central Maine Power	200	7.700	07-01-97	200,000	161,260	7.700
Chesapeake & Potomac Tel-Maryland	100	5.875	06-01-04	100,858	73,380	5.799
Chesapeake & Potomac Tel-Virginia	225	5.250	05-01-05	226,833	148,793	5.185
Chesapeake & Potomac Tel-Virginia	120	5.625	03-01-07	121,104	83,256	5.549
Columbia Gas System	50	7.250	05-01-93	50,000	44,250	7.250
Commonwealth Edison	170	3.250	07-01-82	161,989	134,096	4.394
Consolidated Edison-New York	500	4.000	06-01-88	451,436	289,400	5.383
Consolidated Edison-New York	50	4.375	10-01-92	43,378	26,690	5.951
Consolidated Edison-New York	200	4.625	12-01-93	203,301	107,920	4.451
Consolidated Edison-New York	150	5.900	12-15-96	150,000	93,945	5.900
Consolidated Edison-New York	400	7.900	04-15-02	396,208	310,800	8.051

TEACHERS' RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
PUBLIC UTILITIES						
Consolidated Edison-New York	$ 250	7.900	04-15-02	$ 247,630	$ 194,250	8.011
Consolidated Edison-New York	250	7.900	04-15-02	250,000	194,250	7.900
Consumers Power	500	11.375	08-01-94	500,000	529,400	11.375
Dallas Power & Light	200	4.250	02-01-93	181,562	127,260	5.281
Dayton Power & Light	500	10.700	08-01-05	500,000	547,500	10.700
Delaware Power & Light	50	4.625	10-01-94	50,572	30,250	4.509
Detroit Edison	150	6.000	12-01-96	150,000	94,125	6.000
Diamond State Tel.	50	4.750	04-01-94	50,695	33,375	4.607
Duquesne Light	100	5.125	02-01-96	100,755	65,130	5.049
El Paso Electric	100	4.625	02-01-92	81,466	62,630	7.017
Equitable Gas	478	8.000	06-15-97	478,000	443,943	8.000
Florida Power & Light	100	4.375	12-01-86	99,420	71,750	7.450
Florida Power & Light	100	4.375	12-01-86	80,210	71,750	4.463
Florida Power & Light	100	4.500	08-01-92	101,194	63,500	4.368
General Tel-California	320	5.000	12-01-89	265,677	225,600	7.287
General Tel-California	100	4.625	12-01-91	89,599	64,800	5.910
General Tel-Florida	200	7.500	08-01-02	198,326	166,560	7.600
Georgia Power	100	4.625	10-01-94	100,943	57,750	4.530
Georgia Power	500	7.500	12-01-02	500,000	395,800	7.500
Gulf Power	100	4.625	10-01-94	101,225	62,630	4.501
Hartford Electric Light	50	4.250	04-01-93	49,790	27,625	4.295
Idaho Power	65	4.500	10-15-88	58,644	44,688	5.901
Illinois Bell Tel.	50	4.875	07-01-97	49,327	33,440	5.001
Illinois Bell Tel.	300	4.375	07-01-03	300,571	174,750	4.360
Illinois Power	50	5.850	10-01-96	43,057	36,940	7.602
Indiana Bell Tel.	300	4.375	06-01-03	303,005	171,390	4.294
Indiana Bell Tel.	50	4.750	10-01-05	50,000	30,190	4.607
Iowa Illinois Gas & Electric	500	8.750	04-01-06	498,760	485,650	8.770
Kansas Nebraska Natural Gas	144	8.450	08-01-91	144,000	137,707	8.450
Kentucky Power	650	5.125	01-01-96	517,923	410,345	7.525
Lone Star Gas	100	7.250	12-15-93	100,000	84,500	7.250
Lone Star Gas	500	7.500	12-01-96	498,983	430,000	7.522
Long Island Lighting	500	4.550	06-01-95	500,000	307,500	4.550
Michigan Consolidated Gas	150	6.500	06-01-92	127,971	119,250	8.600
Michigan Consolidated Gas	300	7.625	07-01-97	300,000	260,250	7.625
Monongahelia Power	250	8.875	05-01-01	253,850	240,625	8.699
Montana Power	98	4.500	04-01-89	99,091	67,620	4.370
Montana Power	600	7.500	04-01-01	601,743	508,620	7.466
Montana Power	500	8.625	03-01-04	501,234	490,000	8.600
Mountain States Tel. & Tel.	250	4.375	02-01-88	238,537	180,625	4.985
Mountain States Tel. & Tel.	200	9.000	11-01-10	200,000	230,000	9.000
Mountain States Tel. & Tel.	500	7.750	06-01-13	500,000	457,500	7.750

PUBLIC UTILITIES	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
National Rural Utilities	$ 500	7.400	12-01-07	$ 498,315	$ 416,650	7.430
New England Power	200	4.500	11-01-93	201,340	120,000	4.439
New England Tel. & Tel.	150	4.000	04-01-93	132,826	90,195	5.280
New England Tel. & Tel.	100	4.625	04-01-99	73,834	61,250	7.476
New England Tel. & Tel.	75	4.500	07-01-02	63,777	43,973	5.856
New York State Electric & Gas	200	6.250	09-01-97	190,205	148,000	6.751
New York Tel.	50	4.500	05-15-91	46,425	33,875	5.377
New York Tel.	100	4.625	10-01-97	103,272	63,250	4.327
New York Tel.	200	4.625	01-01-02	203,871	121,760	4.470
New York Tel.	100	4.875	01-01-06	100,740	60,130	4.818
Northern Illinois Gas	50	4.500	08-01-89	50,000	34,125	4.500
Northern Indiana Public Service	50	4.500	04-15-93	50,600	32,000	4.368
Northern Natural Gas	450	4.500	11-01-84	451,451	352,125	4.440
Northern States Power	250	4.375	09-01-93	249,821	155,325	4.382
Ohio Bell Tel.	150	5.000	02-01-06	151,109	95,250	4.942
Pacific Gas & Electric	20	4.500	12-01-86	18,720	14,626	5.511
Pacific Gas & Electric	100	5.000	06-01-91	78,223	68,750	8.089
Pacific Gas & Electric	300	4.500	06-01-96	302,595	179,760	4.418
Pacific Gas & Electric	100	4.500	12-01-96	100,000	59,630	4.500
Pacific Gas & Electric	100	5.375	06-01-98	100,262	66,880	5.350
Pacific Gas & Electric	150	5.750	12-01-98	149,256	105,750	5.798
Pacific Gas & Electric	100	6.750	12-01-00	94,752	78,500	7.302
Pacific Lighting Service	300	7.625	12-01-91	300,000	266,640	7.625
Pacific Northwest Bell Tel.	250	4.500	12-01-00	251,687	150,325	4.430
Pacific Northwest Bell Tel.	50	4.500	04-01-03	42,907	29,500	5.748
Pacific Tel. & Tel.	400	4.625	04-01-99	406,651	248,520	4.479
Pacific Tel. & Tel.	200	4.625	05-01-00	191,955	123,000	4.983
Pacific Tel. & Tel.	20	6.000	11-01-02	16,248	14,496	8.049
Pennsylvania Electric	100	4.625	10-01-94	101,145	58,000	4.509
Pennsylvania Power & Light	500	7.500	01-01-03	498,341	426,950	7.531
Philadelphia Electric	100	5.750	06-15-77	100,000	97,250	5.750
Philadelphia Electric	25	4.500	03-01-95	23,426	13,470	5.151
Potomac Electric Power	50	4.625	12-01-93	51,063	30,875	4.406
Potomac Electric Power	100	4.500	05-15-99	100,000	56,750	4.500
Public Service-Colorado	50	4.500	10-01-91	50,582	32,625	4.366
Public Service-Indiana	75	3.125	11-01-77	74,058	70,875	4.382
Public Service-New Hampshire	300	7.625	06-15-02	300,000	241,500	7.625
Public Service Electric & Gas	50	4.375	11-01-86	48,381	36,375	4.880
Public Service Electric & Gas	10	4.625	08-01-88	9,622	7,038	5.088
Public Service Electric & Gas	300	4.625	09-01-94	302,826	189,390	4.529
Public Service Electric & Gas	50	4.750	09-01-95	50,281	31,690	4.694
Public Service Electric & Gas	295	7.750	08-15-96	295,000	259,246	7.750

TEACHERS' RETIREMENT FUND

PUBLIC UTILITIES	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
Public Service Electric & Gas	$ 400	7.500	04-01-02	$ 400,000	$ 341,920	7.500
Puget Sound Power & Light	50	4.625	11-01-93	50,116	28,750	4.600
Rochester Gas & Electric	100	4.500	11-15-91	101,163	61,750	4.367
San Diego Gas & Electric	50	4.500	09-01-94	50,000	28,815	4.500
San Diego Gas & Electric	50	4.500	09-01-94	36,575	28,815	7.400
Southeastern Tel.	500	7.650	02-01-97	500,000	435,650	7.650
Southern Bell Tel. & Tel.	100	4.000	10-01-83	98,036	79,880	4.408
Southern Bell Tel. & Tel.	25	4.375	03-01-98	21,507	15,220	5.756
Southern Bell Tel. & Tel.	165	4.750	09-01-00	166,370	103,686	4.679
Southern California Edison	100	4.875	09-01-82	86,200	85,250	8.571
Southern California Edison	200	4.375	03-01-89	198,992	137,000	4.432
Southern California Edison	150	4.500	02-15-90	150,201	101,445	4.482
Southern California Edison	500	4.500	02-15-90	394,616	338,150	7.190
Southern California Edison	150	5.250	05-15-91	148,956	108,195	5.335
Southern New England Tel.	250	8.125	05-01-08	246,770	223,575	8.255
Southern Union Gas	50	4.625	05-15-84	49,901	39,750	8.125
Southwestern Bell Tel.	500	4.625	08-01-95	477,552	326,250	5.055
Southwestern Public Service	100	4.625	02-01-95	100,475	62,750	4.579
Tenneco	488	8.250	10-01-91	489,864	446,569	8.198
Tucson Gas & Electric	250	4.550	02-01-95	250,000	154,575	4.550
Union Electric	100	4.375	03-01-88	100,121	68,000	4.358
Union Electric	300	4.500	11-01-93	301,399	181,890	4.450
United Tel-Indiana	235	9.125	04-01-00	235,000	243,813	9.125
United Tel-Missouri	485	7.875	06-01-03	485,000	441,350	7.875
United Tel-Northwest	500	10.750	09-01-99	500,000	598,750	10.750
United Tel-Ohio	188	7.600	08-01-02	188,000	161,454	7.600
United Tel-Pennsylvania	235	9.750	06-01-00	235,000	258,500	9.750
Utah Power & Light	600	7.500	05-01-02	600,000	506,280	7.500
Utah Power & Light	500	10.250	11-01-05	502,450	535,600	10.190
Virginia Electric & Power	150	4.500	05-01-95	149,409	91,125	4.538
Washington Water Power	400	4.625	09-01-94	400,000	247,000	4.625
West Penn Power	100	4.500	03-01-92	101,180	64,000	4.367
Western Electric	450	7.500	06-15-96	450,000	417,195	7.500
Wisconsin Michigan Power	200	5.875	08-01-96	176,598	143,500	7.101
Wisconsin Natural Gas	100	4.875	10-01-90	100,358	67,250	4.831
Wisconsin Natural Gas	150	4.875	10-01-90	118,617	100,875	7.775
Wisconsin Natural Gas	100	8.750	09-15-94	101,117	96,250	8.599
Wisconsin Public Service	200	4.375	10-01-93	200,000	124,000	4.375
Wisconsin Public Service	100	4.500	06-01-94	100,225	62,500	4.476
Wisconsin Tel.	25	4.875	05-01-95	22,738	16,875	5.849
TOTAL	$ 30,618			$ 29,762,396	$ 24,015,291	

TEACHERS' RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
COMMON STOCK HOLDINGS	$ 6,680			$ 6,680,056	$ 8,497,518	
MORTGAGES	$ 21,432			$ 21,432,474	$ 21,432,474	
BUILDING & LAND	$ 170			$ 170,087	$ 170,087	
TOTAL INVESTMENTS	$ 120,552			$ 118,703,517	$ 112,477,783	

TRUST & LEGACY FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
REPURCHASE AGREEMENTS						
Bank of America-San Francisco	$ 954	5.450	07-12-76	$ 954,000	$ 954,000	5.450
TOTAL	$ 954			$ 954,000	$ 954,000	
U.S. TREASURY						
U.S. Treasury Notes	$ 300	7.750	08-15-77	$ 300,000	$ 303,750	7.750
U.S. Treasury Notes	330	6.250	02-15-78	329,544	326,700	6.356
U.S. Treasury Notes	658	6.250	02-15-78	657,242	651,420	6.338
U.S. Treasury Notes	50	6.250	02-15-78	49,994	49,500	6.258
U.S. Treasury Bonds	470	4.000	02-15-80	472,220	422,389	3.811
U.S. Treasury Bonds	500	7.875	02-15-00	482,829	490,000	8.200
TOTAL	$ 2,308			$ 2,291,839	$ 2,243,759	
FEDERAL AGENCIES						
Farmers Home Administration	$ 500	6.400	03-31-81	$ 492,882	$ 466,250	6.818
Federal Land Banks	160	5.125	04-20-78	160,059	153,600	5.097
Federal Land Banks	90	5.125	04-20-78	89,973	86,400	5.147
Federal Land Banks	130	5.125	04-20-78	129,034	124,800	5.665
Federal Land Banks	180	5.125	04-20-78	178,042	172,800	5.920
Federal Land Banks	215	5.125	04-20-78	211,938	206,400	6.175
Federal Land Banks	190	5.125	04-20-78	185,764	182,400	6.789
Federal Land Banks	80	5.125	04-20-78	76,793	76,800	8.178
Federal Land Banks	200	5.000	01-22-79	199,624	189,500	5.098
Federal Land Banks	125	5.000	01-22-79	124,713	118,438	5.795
Federal Land Banks	145	5.000	01-22-79	144,100	137,388	5.327
Federal Land Banks	110	5.000	01-22-79	109,384	104,225	5.300
Federal Land Banks	155	5.000	01-22-79	153,751	146,863	5.426
Federal Land Banks	120	5.000	01-22-79	118,944	113,700	5.467
Federal Land Banks	63	5.000	01-22-79	62,258	59,693	5.625
Federal Land Banks	96	5.000	01-22-79	94,315	90,960	5.949
Federal Land Banks	470	5.000	01-22-79	461,957	445,325	5.919
Federal Land Banks	175	5.000	01-22-79	171,221	165,813	6.160
Federal Land Banks	130	5.000	01-22-79	127,535	123,175	6.010
Federal Land Banks	235	5.000	01-22-79	227,665	222,663	6.679
Federal Land Banks	235	5.000	01-22-79	228,232	222,663	6.536
Federal Land Banks	100	5.000	01-22-79	94,200	94,750	8.250
Federal Land Banks	115	5.000	01-22-79	109,411	108,963	7.639
Federal Land Banks	120	5.000	01-22-79	113,734	113,700	7.809
Federal Land Banks	150	5.000	01-22-79	145,562	142,125	6.507
Federal Land Banks	125	5.000	01-22-79	122,971	118,438	5.119
Federal Land Banks	50	6.700	04-20-81	50,252	48,185	6.625

TRUST & LEGACY FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
FEDERAL AGENCIES						
Federal Land Banks	$ 140	6.700	04-20-81	$ 139,277	$ 134,918	6.849
Federal Land Banks	120	6.700	04-20-81	120,000	115,644	6.700
Federal Land Banks	500	6.900	04-20-82	500,000	480,000	6.900
G.N.M.A.	500	7.150	05-26-97	492,434	442,500	7.300
G.N.M.A.	420	6.500	02-15-02	405,782	363,300	6.813
G.N.M.A. Participation Cert. (F.N.M.A.)	400	6.400	12-11-87	392,219	348,000	7.040
G.N.M.A. Passthrough	831	6.500	06-15-03	732,703	718,815	7.606
G.N.M.A. Passthrough	837	8.000	12-15-03	804,461	805,613	8.440
Johnathan Development	500	7.200	06-01-92	500,000	458,000	7.200
TOTAL	$ 8,712			$ 8,461,240	$ 8,102,807	
U.S. GOVERNMENT GUARANTEED						
American Export Lighting MM	$ 3,753	7.300	01-01-94	$ 3,753,000	$ 3,476,216	7.300
American Export MM	2,068	7.300	07-01-97	2,068,000	1,881,880	7.300
American Export Staghound MM	3,764	7.300	01-01-94	3,764,000	3,486,405	7.300
American President Lines MM	700	7.625	05-01-96	703,608	660,800	7.567
Boston Tankers MM	544	8.200	04-01-96	544,000	543,891	8.200
Falcon Tankers MM	500	7.300	02-01-92	500,000	462,800	7.300
Litton Hull 102 System MM	481	7.375	12-12-98	480,594	440,716	7.375
Lykes Bros. Steamship MM	200	7.200	06-15-90	200,000	184,320	7.200
Lykes Bros. Steamship MM	729	8.300	09-15-91	758,956	722,658	7.743
Marine Ship Leasing	548	7.875	09-12-95	548,148	530,875	7.875
Marine Vessel Leasing	452	7.875	10-14-95	451,852	437,875	7.875
Moore McCormick Lines MM	135	5.750	04-01-87	122,116	113,400	7.241
Northwest Shipping	500	8.350	07-01-96	500,000	507,500	8.350
Overseas Bulktank MM	1,390	7.375	12-27-93	1,390,285	1,284,013	7.350
Sun Shipbuilding MM	757	7.900	01-01-94	757,000	736,183	7.900
U.S. Govt. Delta Norte MM	200	7.200	03-01-98	199,582	179,750	7.220
U.S. Govt. Delta Sud MM	300	7.200	03-01-98	300,000	269,625	7.200
TOTAL	$ 17,021			$ 17,041,141	$ 15,918,907	
CANADIAN OBLIGATIONS						
British Columbia Hydro & Power	$ 300	5.625	07-02-91	$ 239,821	$ 217,500	8.150
British Columbia Hydro & Power	500	9.625	06-01-05	498,795	510,000	9.650
Manitoba Hydro Electric	500	9.250	06-15-04	470,590	492,500	9.880
New Brunswick Electric Power	500	10.500	10-01-95	496,390	527,500	10.550
Ontario Hydro	1,000	9.500	03-15-96	1,000,000	1,000,000	9.500
TOTAL	$ 2,800			$ 2,705,596	$ 2,747,500	
CORPORATE OBLIGATIONS						
BANKERS' ACCEPTANCES						
Chemical Bank-New York	$ 265	0.000	07-06-76	$ 262,876	$ 262,876	5.125
TOTAL	$ 265			$ 262,876	$ 262,876	

TRUST & LEGACY FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
FINANCIAL						
General Electric Credit	$ 1,000	4.650	05-15-86	$ 792,797	$ 732,500	8.000
Household Finance	500	10.500	09-15-94	500,000	542,500	10.500
TOTAL	$ 1,500			$ 1,292,797	$ 1,275,000	
INDUSTRIAL						
Aluminum Co.-America	$ 2,279	4.375	03-31-88	$ 1,764,991	$ 1,555,418	9.500
Aluminum Co.-America	1,000	7.450	11-15-96	876,317	899,000	8.827
American Can	500	7.750	03-15-01	443,829	461,900	8.[illegible]
Carnation	836	4.500	02-01-90	664,449	574,750	7.900
Carnation	435	5.000	04-01-91	354,673	311,025	7.900
Continental Oil	780	5.875	12-01-89	663,044	612,300	7.753
FMC	400	9.500	01-15-00	396,225	416,000	9.605
Goodyear Tire & Rubber	1,000	7.350	09-15-97	865,839	883,200	8.821
Hercules	500	8.750	04-01-83	500,000	506,250	8.750
International Paper	500	8.850	12-15-00	500,000	507,500	8.850
Kerr McGee	250	8.500	06-01-06	248,127	248,775	8.579
Merck & Co.	500	7.875	06-15-85	500,000	499,350	7.875
Owens-Illinois	850	5.000	02-01-91	693,338	589,688	8.500
Owens-Illinois	1,000	7.625	04-01-01	879,582	916,300	8.885
Philip Morris	500	8.875	08-15-85	500,000	525,650	8.675
Phillips Morris	1,358	4.900	11-01-89	1,097,734	950,600	8.250
Philip Morris	250	8.875	06-01-04	235,496	250,000	9.500
Phillips Petroleum	1,536	5.375	07-01-91	1,290,750	1,123,200	8.000
Phillips Petroleum	300	5.375	07-01-91	249,195	219,375	8.250
Reproco	900	7.000	01-01-95	786,935	767,250	8.850
Scott Paper	500	8.750	01-15-00	500,000	503,150	8.750
G. D. Searle & Co.	300	8.000	06-15-81	299,330	303,750	8.053
Shell Oil Co.	767	4.500	04-15-90	610,312	525,395	7.750
Shell Oil Co.	600	5.000	03-15-91	492,685	429,750	7.750
Shell Oil Co.	720	5.000	03-15-91	545,306	519,281	7.915
Sherwin Williams	500	9.450	12-01-99	500,000	510,650	9.450
Squibb	200	8.000	06-15-85	200,000	200,000	8.000
Stafac	125	4.500	09-01-88	95,747	88,281	7.639
Stafac	142	4.625	04-01-89	108,293	100,465	7.755
Stafac	200	4.625	03-01-90	150,060	139,250	7.802
Standard Oil-Indiana	500	9.200	07-15-04	500,000	522,500	9.200
Statewide Stations	939	5.375	03-15-96	767,095	667,864	7.270
Stauffer Chemical	500	8.125	06-01-96	461,522	478,150	9.000
Texaco	825	4.500	12-15-89	647,470	568,219	7.750
Texaco	1,000	4.500	12-15-89	738,074	688,750	8.250
Texaco	500	7.750	06-01-01	452,894	463,800	8.703

TRUST & LEGACY FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
INDUSTRIAL						
Triangle Facilities	$ 454	4.750	12-01-87	$ 380,344	$ 328,583	6.846
Union Oil-California	1,000	8.625	03-01-06	992,578	985,000	8.700
U.S. Gypsum	1,000	7.875	01-01-04	923,426	948,800	8.630
Xerox	365	5.375	04-01-91	306,125	280,138	8.200
TOTAL	$ 26,811			$ 23,181,837	$ 22,069,307	
TRANSPORTATION						
Colonial Pipeline	$ 1,592	4.736	06-01-90	$ 1,298,773	$ 1,118,380	6.995
Continental Pipeline	440	7.500	05-01-94	414,844	396,000	8.400
Trailer Train	500	8.750	04-01-89	500,000	529,375	8.750
TOTAL	$ 2,532			$ 2,213,617	$ 2,043,755	
PUBLIC UTILITIES						
American Tel. & Tel.	$ 2,500	4.750	11-01-92	$ 1,923,885	$ 1,731,000	7.418
American Tel. & Tel.	150	4.750	11-01-92	115,328	103,860	7.428
American Tel. & Tel.	1,000	5.125	04-01-01	666,578	680,100	8.481
Cincinnati Gas & Electric	500	5.875	07-01-97	365,566	361,900	8.774
Duke Power	500	8.125	11-01-03	399,410	458,750	10.500
Florida Power	800	9.000	11-01-00	751,094	786,000	9.670
Gulf States Utilities	750	6.625	02-01-98	559,837	593,475	9.600
Hartford Electric	300	5.625	04-01-97	241,585	192,390	7.650
Hawaiian Tel.	500	8.500	04-01-06	495,036	476,250	8.593
Houston Lighting & Power	1,000	5.250	04-01-96	791,603	682,500	7.450
Houston Lighting & Power	1,000	8.125	02-01-04	904,271	936,300	9.110
Illinois Bell Tel.	1,000	6.000	07-01-98	756,140	765,100	8.572
Indiana Bell Tel.	300	5.500	04-01-07	192,301	203,640	9.200
Monongahela Power	200	5.500	03-01-96	151,238	135,260	8.200
Mountain States Tel. & Tel.	1,000	5.000	04-01-00	649,415	653,800	8.646
New York States Electric & Gas	200	5.625	01-01-97	159,697	137,500	7.750
Northern States Power	500	9.500	05-01-05	497,591	520,000	9.549
Oklahoma Gas & Electric	750	4.500	03-01-95	470,344	470,550	8.649
Pacific Gas & Electric	400	5.000	06-01-89	324,359	286,000	7.500
Pacific Gas & Electric	1,000	4.375	06-01-94	722,263	606,300	7.450
Pacific Gas & Electric	300	5.750	12-01-98	245,151	211,500	7.580
Pacific Tel. & Tel.	1,000	6.000	11-01-02	766,108	724,800	8.282
Southern California Edison	635	5.250	05-15-91	518,625	458,026	7.500
Southern Counties Gas	300	4.750	08-01-90	230,405	206,250	7.700
TOTAL	$ 16,585			$ 12,897,835	$ 12,381,251	
TOTAL INVESTMENTS	$ 79,488			$ 71,302,828	$ 67,999,162	

WORKERS' COMPENSATION FUND

MONTANA OBLIGATIONS	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
U.C.C. Bonds	$ 55	5.000	08-01-77	$ 55,000	$ 55,000	5.000
TOTAL	$ 55			$ 55,000	$ 55,000	
GOVERNMENT OBLIGATIONS REPURCHASE AGREEMENTS						
Seattle First National Bank - Seattle	$ 500	5.250	07-01-76	$ 500,000	$ 500,000	5.250
TOTAL	$ 500			$ 500,000	$ 500,000	
U.S. TREASURY						
U.S. Treasury Notes	$ 70	7.750	08-15-77	$ 69,972	$ 70,875	7.797
U.S. Treasury Notes	1,600	6.250	08-15-79	1,600,000	1,556,000	6.250
U.S. Treasury Bonds	350	4.000	02-15-80	349,398	314,545	4.071
U.S. Treasury Bonds	25	3.500	11-15-80	25,000	21,625	3.500
U.S. Treasury Bonds	65	3.500	02-15-90	65,000	53,053	3.500
U.S. Treasury Bonds	500	7.875	02-15-00	482,889	490,000	8.200
TOTAL	$ 2,610			$ 2,592,259	$ 2,506,098	
FEDERAL AGENCIES						
International Bank for Reconstruction	$ 400	8.125	08-01-96	$ 400,000	$ 376,000	8.125
TOTAL	$ 400			$ 400,000	$ 376,000	
U.S. GOVERNMENT GUARANTEED						
Northwest Shipping	$ 500	8.350	07-01-96	$ 500,000	$ 507,500	8.350
TOTAL	$ 500			$ 500,000	$ 507,500	
CANADIAN OBLIGATIONS						
British Columbia Hydro & Power	$ 500	9.625	06-01-05	$ 498,795	$ 510,000	9.650
Manitoba Hydro Electric	500	9.500	10-01-85	500,000	520,000	9.500
Manitoba Hydro Electric	500	8.000	10-15-03	495,446	437,500	8.089
Manitoba Hydro Electric	500	9.375	12-01-04	496,447	493,750	9.450
Manitoba Hydro Electric	500	9.250	01-15-06	500,000	492,500	9.250
Municipal Finance Authority of B.C.	500	8.875	05-01-01	500,000	473,750	8.875
New Brunswick Electric Power	300	9.375	05-01-01	300,000	292,500	9.375
Quebec Hydro Electric	400	8.500	08-01-03	398,193	364,480	8.550
Quebec Hydro Electric	200	8.250	01-01-04	199,083	177,240	8.300
Quebec Hydro Electric	600	10.250	01-15-05	600,000	636,000	10.250
TOTAL	$ 4,500			$ 4,487,964	$ 4,397,720	

WORKERS' COMPENSATION FUND

CORPORATE OBLIGATIONS	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
FINANCIAL						
Chemical New York	$ 200	6.625	04-15-80	$ 199,435	$ 192,000	6.722
Commercial Credit	600	7.750	02-15-92	595,223	521,820	7.851
First Bank System	500	6.750	09-15-79	500,000	479,400	6.750
First Chicago	500	6.750	11-01-80	497,969	479,400	6.870
First National Boston	500	6.750	07-15-80	499,197	480,650	6.830
General Motors Acceptance	500	7.850	11-01-98	500,000	465,300	7.850
Honeywell Finance	500	8.200	12-15-98	500,000	452,850	8.200
Industrial National	600	7.400	07-01-81	600,000	579,780	7.400
Manufacturers Hanover	500	7.600	09-01-81	500,000	491,250	7.600
Security Pacific	500	7.700	02-15-82	500,000	490,650	7.700
United States National Bank-Oregon	400	7.750	01-15-02	400,000	345,000	7.750
TOTAL	$ 5,300			$ 5,291,824	$ 4,978,100	
INDUSTRIAL						
Carnation	$ 500	8.500	05-01-99	$ 498,857	$ 508,400	8.520
Cities Service	500	9.750	10-01-00	497,573	525,000	9.800
Continental Oil	500	8.875	06-01-01	498,754	506,250	8.900
Dow Chemical	500	8.500	01-15-06	500,000	499,100	8.500
Goodyear Tire & Rubber	400	7.350	09-15-97	400,000	353,280	7.350
Hercules	500	8.750	04-01-83	500,000	506,250	8.750
Inland Steel	500	9.500	09-01-00	497,581	528,150	9.550
Kerr McGee	500	8.500	06-01-06	496,255	497,550	8.570
Kraftco	400	8.375	04-15-04	397,219	401,320	8.440
3M Co.	500	8.200	04-01-85	500,000	506,250	8.200
Mountain Fuel Supply	500	8.750	04-15-99	500,000	500,000	8.750
Pepsico	500	8.625	05-15-81	499,125	510,000	8.670
Pfizer	500	8.875	08-15-85	500,000	525,650	8.875
RCA	500	10.200	08-15-92	500,000	525,000	10.200
G.D. Searle & Co.	300	7.500	12-01-80	300,666	298,500	7.430
Sears & Roebuck	500	8.000	04-01-06	498,757	485,000	8.020
Shell Oil	600	7.250	02-15-02	600,000	539,280	7.250
Sherwin Williams	500	9.450	12-01-99	500,000	510,650	9.450
Standard Oil-California	600	8.750	07-01-05	594,915	607,500	8.833
Standard Oil-Indiana	300	6.000	09-15-91	291,231	247,710	6.368
Systems Building	472	8.000	07-01-97	472,306	438,370	8.000
Texaco	700	8.500	04-01-06	694,794	693,000	8.570
Union Oil-California	800	8.625	03-01-06	794,062	788,000	8.700
Westvaco	500	9.750	04-01-00	500,000	523,750	9.750
TOTAL	$ 12,072			$ 12,032,095	$ 12,023,960	

WORKERS' COMPENSATION FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
TRANSPORTATION						
Arco Pipeline	$ [illegible]	8.375	07-15-83	$ 497,793	$ 508,750	8.466
Burlington Northern	[illegible]	8.600	01-15-99	200,000	188,000	8.600
Mobil Alaska Pipeline	[illegible]	8.450	03-01-05	500,000	455,000	8.450
Union Pacific	[illegible]	9.000	03-01-90	500,000	517,000	9.000
TOTAL	$ [illegible]			$ 1,697,793	$ 1,668,750	
PUBLIC UTILITIES						
Alabama Power	$ 500	10.500	12-01-05	$ 500,000	$ 522,500	10.500
American Tel. & Tel.	[illegible]	7.750	12-01-77	300,078	301,560	7.670
American Tel. & Tel.	[illegible]	4.375	04-01-85	265,579	234,540	6.551
American Tel. & Tel.	[illegible]	[illegible]	02-01-94	1,438,530	1,212,480	6.801
American Tel. & Tel.	[illegible]	4.750	06-01-98	670,297	558,195	6.815
American Tel. & Tel.	[illegible]	7.000	02-15-01	298,154	259,320	7.060
American Tel. & Tel.	[illegible]	7.125	12-01-03	498,893	436,800	7.150
American Tel. & Tel.	[illegible]	8.800	05-15-05	500,000	513,750	8.800
Carolina Tel. & Tel.	[illegible]	8.100	11-01-03	220,000	202,950	8.100
Central Illinois Light	[illegible]	9.250	05-01-06	496,263	496,900	9.330
Central Tel.	[illegible]	8.000	07-01-94	276,449	247,379	7.979
Consolidated Natural Gas	[illegible]	9.250	07-01-95	500,000	509,400	9.250
Florida Power & Light	[illegible]	8.500	01-01-04	502,990	472,250	8.444
General Tel.-Southwest	[illegible]	9.875	12-01-05	496,497	523,150	9.950
Kansas Nebraska Natural Gas	[illegible]	8.450	08-01-91	288,000	275,414	8.450
Kentucky Power	300	7.875	09-01-02	300,000	258,390	7.875
Michigan Bell Tel.	400	4.625	03-01-96	314,007	250,000	6.801
Minnesota Gas	600	7.875	12-01-96	600,000	534,780	7.875
Montana Dakota Utilities	400	7.625	10-15-92	389,077	354,000	7.950
Mountain States Tel. & Tel.	500	8.700	09-01-81	500,000	516,400	8.700
New England Tel.	300	6.375	09-01-08	300,873	227,010	6.349
New York Tel.	450	7.500	03-01-09	455,888	397,710	7.374
Northern Indiana Public Service	150	6.375	09-01-97	116,269	117,375	8.850
Northern Indiana Public Service	500	10.400	09-01-04	500,000	550,000	10.400
Northern Natural Gas	600	7.375	05-01-92	600,000	525,000	7.375
Ohio Bell Tel.	350	6.750	07-01-08	351,161	283,500	6.719
Ohio Edison	200	9.250	05-01-00	200,710	194,500	9.205
Pacific Tel. & Tel.	350	6.000	11-01-02	351,893	253,680	5.949
Pacific Tel. & Tel.	200	6.000	11-01-02	146,673	144,960	8.700
Pacific Tel. & Tel.	150	7.800	03-01-07	150,000	133,750	7.800
Southern Natural Gas	50	6.875	04-01-79	47,831	48,440	8.750
Southern New England Tel.	306	7.750	06-01-04	308,957	272,340	7.524

WORKERS' COMPENSATION FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
PUBLIC UTILITIES						
Southwestern Bell Tel.	$ 450	8.250	09-01-05	$ 454,649	$ 431,865	8.139
Southwestern Bell Tel.	100	8.750	08-01-07	100,421	99,460	8.638
TOTAL	$ 14,190			$ 13,440,139	$ 12,359,748	
MORTGAGES	$ 564			$ 563,785	$ 563,785	
TOTAL INVESTMENTS	$ 42,391			$ 41,560,859	$ 39,936,661	

OCCUPATIONAL DISEASE FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
CORPORATE OBLIGATIONS						
PUBLIC UTILITIES						
Public Service Electric & Gas	$ 9	7.750	08-15-96	$ 9,000	$ 7,909	7.750
TOTAL	$ 9			$ 9,000	$ 7,909	
SHORT TERM INVESTIMENT POOL	$ 55			$ 55,213	$ 55,213	
TOTAL INVESTMENTS	$ 64			$ 64,213	$ 63,122	

SUBSEQUENT INJURY FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
U.S. TREASURY						
U.S. Treasury Notes	$ 27	6.250	08-15-79	$ 27,000	$ 26,258	6.250
U.S. Treasury Notes	8	6.250	08-15-79	8,030	7,780	6.100
TOTAL	$ 35			$ 35,030	$ 34,038	
CORPORATE OBLIGATIONS						
FINANCIAL						
General Electric Credit	$ 100	8.250	02-15-86	$ 99,518	$ 99,750	8.320
Sears & Roebuck Acceptance	375	8.375	12-31-86	374,339	377,813	8.400
TOTAL	$ 475			$ 473,857	$ 477,563	
INDUSTRIAL						
American Brands	$ 150	8.125	03-01-85	$ 146,463	$ 150,938	8.320
Owens Illinois	100	9.350	11-01-99	100,000	103,500	9.350
TOTAL	$ 250			$ 246,463	$ 254,438	
TRANSPORTATION						
Union Tank Car	$ 100	8.600	12-15-81	$ 100,000	$ 104,875	8.600
TOTAL	$ 100			$ 100,000	$ 104,875	
PUBLIC UTILITIES						
Public Service Electric & Gas	$ 6	7.750	08-15-96	$ 6,000	$ 5,273	7.750
TOTAL	$ 6			$ 6,000	$ 5,273	
SHORT TERM INVESTMENT POOL	$ 70			$ 70,062	$ 70,062	
TOTAL INVESTMENTS	$ 936			$ 931,412	$ 946,219	

HAIL INSURANCE FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATLIONS						
FEDERAL AGENCIES						
Federal Land Banks	$ 450	5.375	07-20-76	$ 450,000	$ 448,875	5.375
Federal Land Banks	200	6.350	10-20-77	200,027	198,500	6.346
TOTAL	$ 650			$ 650,027	$ 647,375	
CORPORATE OBLIGATIONS						
INDUSTRIAL						
Firestone Tire & Rubber	$ 350	7.300	10-15-01	$ 350,000	$ 311,500	7.300
TOTAL	$ 350			$ 350,000	$ 311,500	
SHORT TERM INVESTMENT POOL	$ 991			$ 991,371	$ 991,371	
TOTAL INVESTMENTS	$ 1,991			$ 1,991,398	$ 1,950,246	

SOCIAL SECURITY FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
CORPORATE OBLIGATIONS						
BANKERS' ACCEPTANCES						
Rainier National Bank-Seattle	$ 273	0.000	08-16-76	$ 270,555	$ 270,555	5.650
TOTAL	$ 273			$ 270,555	$ 270,555	
COMMERCIAL PAPER						
First Bank System	$ 1,325	0.000	08-16-76	$ 1,308,916	$ 1,308,916	5.750
First Security corp.	1,500	0.000	08-16-76	1,481,792	1,481,792	5.750
First Security Corp.	1,800	0.000	08-16-76	1,779,438	1,779,438	5.875
Northwest Banco	1,675	0.000	08-16-76	1,654,667	1,654,667	5.750
Standard Oil-California	850	0.000	08-16-76	841,040	841,040	5.750
Westshore Pipeline	1,000	0.000	08-16-76	990,208	990,208	5.875
TOTAL	$ 8,150			$ 8,056,061	$ 8,056,061	
PUBLIC UTILITIES						
General Tel.-Kentucky	$ 500	7.750	10-01-01	$ 497,370	$ 426,875	7.804
TOTAL	$ 500			$ 497,370	$ 426,875	
TOTAL INVESTMENTS	$ 8,923			$ 8,823,986	$ 8,753,491	

GAME WARDENS' RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
FEDERAL AGENCIES						
Farmers Home Administration	$ 12	8.750	12-26-94	$ 12,204	$ 12,390	8.750
F.N.M.A.	25	5.200	01-19-82	25,000	21,875	5.200
TOTAL	$ 37			$ 37,204	$ 34,265	
CANADIAN OBLIGATIONS						
Municipal Finance Authority of B.C.	$ 100	8.875	05-01-01	$ 100,000	$ 94,750	8.875
Nova Scotia Power	125	8.125	07-15-98	124,702	109,063	8.150
TOTAL	$ 225			$ 224,702	$ 203,813	
CORPORATE OBLIGATIONS						
FINANCIAL						
Commercial Credit	$ 40	7.750	02-15-92	$ 39,682	$ 34,788	7.851
Ford Motor Credit	20	7.250	05-01-79	20,057	19,700	7.150
International Harvester	40	7.500	01-15-94	39,833	33,228	7.550
Northwest Bancorporation	20	7.750	03-15-03	20,000	17,426	7.750
TOTAL	$ 120			$ 119,572	$ 105,142	
INDUSTRIAL						
Atlantic Richfield	$ 25	7.750	12-15-03	$ 25,000	$ 23,018	7.750
Cummins Engine	20	7.400	04-01-97	20,000	17,200	7.400
3M Co.	100	8.850	04-01-05	100,000	103,500	8.850
RCA	25	10.200	08-15-92	25,000	26,250	10.200
TOTAL	$ 170			$ 170,000	$ 169,968	
TRANSPORTATION						
Denver Rio Grande	$ 35	7.250	11-01-82	$ 35,235	$ 35,000	7.100
Exxon Pipeline	75	8.050	10-15-80	75,000	75,908	8.050
Natural Gas Pipeline-America	25	8.350	09-01-93	25,000	23,345	8.350
Union Pacific	50	8.400	03-01-01	50,000	49,475	8.400
TOTAL	$ 185			$ 185,235	$ 183,728	
PUBLIC UTILITIES						
American Tel. & Tel.	$ 140	4.375	05-01-99	$ 140,465	$ 86,100	4.347
American Tel. & Tel.	10	4.375	05-01-99	10,019	6,150	4.360
American Tel. & Tel.	20	8.750	05-15-00	19,597	20,550	8.978
Carolina Tel. & Tel.	25	8.100	11-01-03	25,000	23,063	8.100
Chesapeake & Potomac Tel.-Maryland	20	6.625	10-01-08	20,059	16,000	6.599
Detroit Edison	50	7.375	11-15-01	49,359	36,125	7.501

GAME WARDENS' RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
PUBLIC UTILITIES						
Detroit Edison	$ 30	9.875	05-01-04	$ 29,791	$ 27,189	9.950
Duquesne Light	20	7.000	01-01-99	19,918	16,126	7.040
General Tel.-California	20	4.500	03-01-95	20,000	12,176	4.500
General Tel.-Northwest	50	7.875	05-01-02	50,379	44,190	7.798
Kansas City Power & Light	25	5.750	05-15-97	25,072	18,033	5.723
Minnesota Power & Light	100	10.500	08-01-05	100,000	107,630	10.500
Montana Power	30	8.625	03-01-04	30,074	29,400	8.600
Mountain States Tel. & Tel.	50	5.600	04-01-00	51,618	32,690	4.749
Mountain States Tel. & Tel.	25	6.000	08-01-07	25,000	18,408	5.947
Mountain States Tel. & Tel.	25	7.750	06-01-13	25,000	22,875	7.750
Ohio Bell Tel.	45	6.750	07-01-08	45,196	36,450	6.713
Pacific Northwest Bell Tel.	25	6.750	12-01-07	25,300	20,125	6.649
Pacific Northwest Bell Tel.	40	8.625	10-01-10	42,131	39,236	8.115
Potomac Electric Power	50	5.875	05-01-02	41,624	34,250	7.500
Public Service-Colorado	25	5.375	05-01-96	25,000	17,250	5.375
Southern Bell Tel. & Tel.	25	4.375	08-01-03	24,952	14,470	4.368
Southwestern Bell Tel.	15	6.750	06-01-08	15,536	12,141	6.459
Southwestern Bell Tel.	20	8.250	09-01-05	20,433	19,194	8.036
TOTAL	$ 885			$ 881,523	$ 709,821	
MORTGAGES	$ 90			$ 89,763	$ 89,763	
SHORT TERM INVESTMENT POOL	$ 34			$ 33,600	$ 33,600	
TOTAL INVESTMENTS	$ 1,746			$ 1,741,599	$ 1,530,100	

CAPITOL BUILDING FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
FEDERAL AGENCIES						
F.N.M.A.	$ 50	6.500	06-10-77	$ 48,868	$ 49,813	9.300
TOTAL INVESTMENTS	$ 50			$ 48,868	$ 49,813	

LONG RANGE BUILDING SINKING FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
CERTIFICATES OF DEPOSIT						
Midland National Bank-Billings	$ 272	7.250	12-09-76	$ 272,000	$ 272,000	7.250
TOTAL	$ 272			$ 272,000	$ 272,000	
GOVERNMENT OBLIGATIONS						
U.S. TREASURY						
U.S. Treasury Notes	$ 1,000	6.000	11-15-78	$ 1,000,000	$ 977,500	6.000
TOTAL	$ 1,000			$ 1,000,000	$ 977,500	
FEDERAL AGENCIES						
Federal Home Loan Corp.	$ 500	7.050	08-25-76	$ 500,000	$ 501,725	7.050
F.N.M.A.	125	7.500	09-10-76	125,000	125,234	7.500
Federal Intermediate Credit Banks	1,500	8.700	04-04-77	1,500,000	1,518,750	8.700
TOTAL	$ 2,125			$ 2,125,000	$ 2,145,709	
TOTAL INVESTMENTS	$ 3,397			$ 3,397,000	$ 3,395,209	

LONG RANGE BUILDING FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
U.S. TREASURY						
U.S. Treasury Notes	$ 500	6.000	11-15-78	$ 499,709	$ 488,750	6.031
TOTAL	$ 500			$ 499,709	$ 488,750	
SHORT TERM INVESTMENT POOL	$ 10,027			$ 10,026,966	$ 10,026,966	
TOTAL INVESTMENTS	$ 10,527			$ 10,526,675	$ 10,515,716	

MONTANA JUDGES' RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
FEDERAL AGENCIES						
Farmers Home Administration	$ 24	8.750	12-26-94	$ 23,743	$ 24,780	8.750
TOTAL	$ 24			$ 23,743	$ 24,780	
CANADIAN OBLIGATIONS						
Municipal Finance Authority of B.C.	$ 100	8.875	05-01-01	$ 100,000	$ 94,750	8.875
TOTAL	$ 100			$ 100,000	$ 94,750	
CORPORATE OBLIGATIONS						
FINANCIAL						
Commercial Credit	$ 25	7.750	02-15-92	$ 24,801	$ 21,743	7.851
Ford Motor Credit	25	7.250	05-01-79	25,071	21,625	7.150
Northwest Bancorporation	60	7.750	03-15-03	60,000	52,278	7.750
TOTAL	$ 110			$ 109,872	$ 98,646	
INDUSTRIAL						
American Cyanamid	$ 50	8.375	03-15-06	$ 49,752	$ 49,775	8.420
Atlantic Richfield	25	7.750	12-15-03	25,000	23,018	7.750
Cummins Engine	40	7.400	04-01-97	40,000	34,400	7.400
3M Co.	100	8.850	04-01-05	100,000	103,500	8.850
RCA	25	10.200	08-15-92	25,000	26,250	10.200
TOTAL	$ 240			$ 239,752	$ 236,943	
TRANSPORTATION						
Denver Rio Grande	$ 30	7.250	11-01-82	$ 30,202	$ 30,000	7.100
Exxon Pipeline	100	8.050	10-15-80	100,000	101,210	8.050
Lakehead Pipeline	15	7.600	06-15-97	15,000	13,332	7.600
TOTAL	$ 145			$ 145,202	$ 144,542	
PUBLIC UTILITIES						
American Tel. & Tel.	$ 25	8.750	05-15-00	$ 24,495	$ 25,688	8.978
Carolina Tel. & Tel.	25	8.100	11-01-03	25,000	23,063	8.100
Chesapeake & Potomac Tel.-Maryland	30	6.625	10-01-08	30,090	21,000	6.599
Connecticut Light & Power	35	6.500	01-01-98	35,000	26,208	6.500
Detroit Edison	50	7.375	11-15-01	49,365	36,125	7.501
Detroit Edison	30	9.875	05-01-04	29,791	27,189	9.950
Duquesne Light	35	7.000	01-01-99	34,858	28,221	7.040
Hawaiian Electric	50	8.350	12-01-03	50,000	45,315	8.350
Montana Power	25	8.625	03-01-04	25,062	24,500	8.600

MONTANA JUDGES' RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
PUBLIC UTILITIES						
Mountain States Tel. & Tel.	$ 100	6.000	08-01-07	$ 100,000	$ 73,630	6.000
Mountain States Tel. & Tel.	90	6.000	08-01-07	90,000	66,267	5.947
Mountain States Tel. & Tel.	20	7.750	06-01-13	20,000	18,300	7.750
Northwestern Bell Tel.	15	7.000	01-01-09	15,000	12,488	7.000
Ohio Bell Tel.	38	6.750	07-01-08	38,165	30,780	6.713
Pacific Northwest Bell Tel.	35	6.750	12-01-07	35,713	28,175	6.580
United Tel.-Ohio	30	7.600	08-01-02	30,000	25,764	7.600
TOTAL	$ 633			$ 632,539	$ 515,713	
MORTGAGES	$ 146			$ 146,255	$ 146,255	
SHORT TERM INVESTMENT POOL	$ 40			$ 39,750	$ 39,750	
TOTAL INVESTMENTS	$ 1,438			$ 1,437,113	$ 1,301,379	

STATEWIDE POLICE RESERVE FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
MONTANA OBLIGATIONS						
City of Havre City Hall Bonds	$ 50	6.000	06-01-88	$ 50,000	$ 50,000	6.000
TOTAL	$ 50			$ 50,000	$ 50,000	
GOVERNMENT OBLIGATIONS						
U.S. TREASURY						
U.S. Treasury Notes-Billings	$ 10	6.250	08-15-79	$ 10,000	$ 9,725	6.250
U.S. Treasury Notes-Great Falls	100	6.000	11-15-78	100,313	97,750	6.000
U.S. Treasury Bonds-Great Falls	35	3.500	02-15-90	35,000	28,459	3.500
TOTAL	$ 145			$ 145,313	$ 135,934	
SHORT TERM INVESTMENT POOL	$ 3,194			$ 3,193,696	$ 3,193,696	
TOTAL INVESTMENTS	$ 3,389			$ 3,389,009	$ 3,379,630	

HIGHWAY PATROL RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
U.S. TREASURY						
U.S. Treasury Notes	$ 28	6.250	08-15-79	$ 28,000	$ 27,230	6.250
TOTAL	$ 28			$ 28,000	$ 27,230	
FEDERAL AGENCIES						
Farmers Home Administration	$ 53	8.750	02-24-95	$ 53,228	$ 54,723	8.750
TOTAL	$ 53			$ 53,228	$ 54,723	
U.S. GOVERNMENT GUARANTEED						
Global Marine Deepwater Drilling	$ 100	8.500	03-01-98	$ 100,000	$ 99,980	8.500
TOTAL	$ 100			$ 100,000	$ 99,980	
CANADIAN OBLIGATIONS						
Manitoba Hydro-Electric	$ 200	9.250	01-15-06	$ 198,029	$ 197,000	9.350
TOTAL	$ 200			$ 198,029	$ 197,000	
CORPORATE OBLIGATIONS						
FINANCIAL						
Beneficial	$ 75	8.000	06-15-01	$ 75,000	$ 74,250	8.000
First Bank System	100	6.750	09-15-79	100,000	95,880	6.750
International Harvester Credit	100	7.500	01-15-94	99,582	83,070	7.550
Northwest Bancorporation	45	7.750	03-15-03	45,000	39,209	7.750
TOTAL	$ 320			$ 319,582	$ 292,409	
INDUSTRIAL						
Atlantic Richfield	$ 35	7.750	12-15-03	$ 35,000	$ 32,225	7.750
Continental Oil	100	8.875	06-01-01	99,751	101,250	8.900
Cummins Engine	125	7.400	04-01-97	125,000	107,500	7.400
3M Co.	200	8.850	04-01-05	200,000	207,000	8.850
RCA	25	10.200	08-15-92	25,000	26,250	10.200
Sherwin Williams	120	9.450	12-01-99	120,000	122,556	9.450
Union Oil-California	200	8.625	03-01-06	198,516	197,000	8.700
TOTAL	$ 805			$ 803,267	$ 793,781	
TRANSPORTATION						
Denver Rio Grande	$ 35	7.250	11-01-82	$ 35,235	$ 35,000	7.100
Exxon Pipeline	100	8.050	10-15-80	100,000	101,210	8.050
Lakehead Pipeline	35	7.600	06-15-97	35,000	31,108	7.600
Natural Gas Pipeline-America	40	8.350	09-01-93	40,000	37,352	8.350

HIGHWAY PATROL RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
TRANSPORTATION						
Southern Railway	$ 200	7.000	01-15-81	$ 200,000	$ 198,000	7.000
Union Pacific	100	8.400	03-01-01	100,000	98,950	8.400
TOTAL	$ 510			$ 510,235	$ 501,620	
PUBLIC UTILITIES						
Alabama Power	$ 40	7.875	04-01-02	$ 40,713	$ 33,800	7.700
American Tel. & Tel	20	7.000	02-15-01	19,877	17,288	7.060
American Tel. & Tel.	25	8.700	12-01-02	25,000	25,250	8.700
Baltimore Gas & Electric	20	6.125	08-01-97	18,507	14,776	6.939
California Electric Power	100	5.125	05-01-90	83,807	70,250	7.214
Carolina Tel. & Tel.	50	8.100	11-01-03	50,000	46,125	8.100
Chesapeake & Potomac Tel.-Maryland	15	6.625	10-01-08	15,043	12,000	6.599
Detroit Edison	10	8.125	06-15-01	9,958	7,842	8.170
Detroit Edison	40	9.875	05-01-04	39,721	36,252	9.950
General Tel.-Northwest	40	7.875	05-01-02	40,303	35,352	7.798
Hartford Electric	50	5.625	04-01-97	42,193	32,065	7.248
Kansas City Power & Light	17	9.125	06-01-00	16,898	17,065	9.199
Metropolitan Edison	200	5.750	06-01-96	167,639	142,260	7.508
Michigan Bell Tel.	100	6.375	02-01-05	100,606	76,250	6.319
Michigan Bell Tel.	10	7.750	06-01-11	9,993	9,013	7.800
Minnesota Power & Light	150	10.500	08-01-05	150,000	161,445	10.500
Montana Power	45	8.625	03-01-04	45,111	44,100	8.600
Mountain States Tel. & Tel.	50	7.750	06-01-13	50,000	45,750	7.750
Northern States Power	100	7.375	03-01-02	100,260	86,250	7.349
Northwestern Bell Tel.	30	7.000	01-01-09	30,184	24,975	6.944
Pacific Northwest Bell Tel.	28	7.750	08-01-09	28,000	25,399	7.750
Pacific Tel. & Tel.	65	6.500	07-01-03	65,755	50,785	6.391
Potomac Electric Power	50	5.875	05-01-02	41,624	34,250	7.500
Public Service-New Hampshire	125	7.125	11-01-98	119,242	96,875	7.600
Public Service Electric & Gas	80	7.750	08-15-96	80,000	70,304	7.750
Public Service Electric & Gas	30	7.750	08-15-96	30,279	26,364	7.646
United Tel.—Ohio	15	7.600	08-01-02	15,000	12,882	7.600
Wisconsin Public Service	45	8.250	05-01-01	45,207	42,359	8.199
TOTAL	$ 1,550			$ 1,480,920	$ 1,297,326	
SHORT TERM INVESTMENT POOL	$ 8			$ 8,154	$ 8,154	
TOTAL INVESTMENTS	$ 3,574			$ 3,501,415	$ 3,272,223	

SHERIFF'S RETIREMENT FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
REPURCHASE AGREEMENTS						
Seattle First National Bank-Seattle	$ 550	5.250	07-01-76	$ 550,000	$ 550,000	5.250
TOTAL	$ 550			$ 550,000	$ 550,000	
U.S. TREASURY						
U.S. Treasury Notes	$ 150	7.875	11-15-82	$ 149,479	$ 151,313	7.951
TOTAL	$ 150			$ 149,479	$ 151,313	
U.S. GOVERNMENT GUARANTEED						
El Paso Columbia Tanker MM	$ 250	9.250	03-31-03	$ 250,000	$ 269,688	9.250
TOTAL	$ 250			$ 250,000	$ 269,688	
CANADIAN OBLIGATIONS						
Municipal Finance Authority of B.C.	$ 100	8.875	05-01-01	$ 100,000	$ 94,750	8.875
TOTAL	$ 100			$ 100,000	$ 94,750	
CORPORATE OBLIGATIONS						
FINANCIAL						
Beneficial	$ 75	8.000	06-15-01	$ 75,000	$ 74,250	8.000
TOTAL	$ 75			$ 75,000	$ 74,250	
INDUSTRIAL						
American Cyanamid	$ 100	8.375	03-15-06	$ 99,504	$ 99,500	8.420
Continental Oil	100	8.875	06-01-01	99,751	101,250	8.900
Halliburton	100	9.250	04-01-00	99,525	104,500	9.301
Kerr McGee	200	8.000	07-01-83	198,906	201,250	8.112
3M Co.	100	8.850	04-01-05	100,000	103,500	8.850
TOTAL	$ 600			$ 597,686	$ 610,000	
TRANSPORTATION						
Exxon Pipeline	$ 225	8.050	10-15-80	$ 225,000	$ 227,813	8.050
TOTAL	$ 225			$ 225,000	$ 227,813	
PUBLIC UTILITIES						
Cincinnati Gas & Electric	$ 200	9.850	05-01-05	$ 200,000	$ 216,000	9.850
TOTAL	$ 200			$ 200,000	$ 216,000	
SHORT TERM INVESTMENT POOL	$ 29			$ 28,509	$ 28,509	
TOTAL INVESTMENTS	$ 2,179			$ 2,175,674	$ 2,222,323	

VOLUNTEER FIREMAN'S FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
U.S. TREASURY						
U.S. Treasury Notes	$ 65	6.250	08-15-79	$ 65,000	$ 63,213	6.250
U.S. Treasury Bonds	35	3.500	11-15-80	34,625	30,275	3.854
U.S. Treasury Bonds	50	3.500	11-15-80	49,253	43,250	3.990
U.S. Treasury Bonds	30	3.500	11-15-98	30,000	24,486	3.500
TOTAL	$ 180			$ 178,878	$ 161,224	
CORPORATE OBLIGATIONS						
FINANCIAL						
General Electric Credit	$ 100	8.250	02-15-86	$ 99,518	$ 99,750	8.320
Sears & Roebuck Acceptance	200	8.375	12-31-86	199,648	211,000	8.400
TOTAL	$ 300			$ 299,166	$ 310,750	
INDUSTRIAL						
American Brands	$ 100	8.125	03-01-85	$ 97,646	$ 100,000	8.520
Owens Illinois	150	9.350	11-01-99	150,000	155,250	9.350
TOTAL	$ 250			$ 247,646	$ 255,250	
TRANSPORTATION						
Southern Railway	$ 100	7.000	01-15-81	$ 100,000	$ 99,000	7.000
Union Tank Car	100	8.600	12-15-81	100,000	104,000	8.600
TOTAL	$ 200			$ 200,000	$ 203,000	
PUBLIC UTILITIES						
Northern States Power	$ 100	7.375	03-01-02	$ 100,257	$ 86,250	7.349
Public Service Electric & Gas	75	7.750	08-15-96	75,000	65,910	7.750
Southeastern Tel.	50	7.650	02-01-97	50,000	43,565	7.650
Wisconsin Tel.	240	7.250	02-01-07	242,628	207,312	7.149
TOTAL	$ 465			$ 467,885	$ 403,037	
SHORT TERM INVESTMENT POOL	$ 113			$ 113,338	$ 113,338	
TOTAL INVESTMENTS	$ 1,508			$ 1,506,913	$ 1,446,599	

UNIVERSITY OF MONTANA POOL FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
CERTIFICATES OF DEPOSIT						
Deer Lodge Bank & Trust-Deer Lodge	$ 16	6.625	03-15-77	$ 15,500	$ 15,500	6.625
TOTAL	$ 16			$ 15,500	$ 15,500	
GOVERNMENT OBLIGATIONS						
U.S. TREASURY						
U.S. Treasury Bonds	$ 2	4.000	02-15-80	$ 1,930	$ 1,797	5.212
U.S. Treasury Bonds	1	4.000	02-15-80	953	899	5.787
U.S. Treasury Bonds	2	3.250	06-15-83	1,916	1,624	4.109
TOTAL	$ 5			$ 4,799	$ 4,320	
TOTAL INVESTMENTS	$ 21			$ 20,299	$ 19,820	

UNIVERSITY OF MONTANA FIELD HOUSE FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
CERTIFICATES OF DEPOSIT						
Deer Lodge Bank & Trust-Deer Lodge	$ 55	6.625	03-15-77	$ 55,300	$ 55,300	6.625
TOTAL	$ 55			$ 55,300	$ 55,300	
GOVERNMENT OBLIGATIONS						
U.S. TREASURY						
U.S. Treasury Notes	$ 46	6.250	02-15-78	$ 46,000	$ 45,540	6.250
U.S. Treasury Bonds	7	4.000	02-15-80	6,239	6,291	5.324
U.S. Treasury Bonds	4	4.000	02-15-80	3,337	3,595	5.787
U.S. Treasury Bonds	4	3.250	06-15-83	3,832	3,248	4.109
TOTAL	$ 61			$ 59,408	$ 58,674	
TOTAL INVESTMENTS	$ 116			$ 114,708	$ 113,974	

WILLIAM L. MURPHY FUND

	SHARES	DIVIDEND	COST	MARKET VALUE	% YIELD*
PREFERRED STOCK					
American General Insurance	160	$ 1.80	$ —0—	$ 3,640	7.912
Montana Power	211	6.00	—0—	13,082	9.677
TOTAL	371		$ —0—	$ 16,722	
COMMON STOCK					
Central Illinois Public Service	900	1.28	$ —0—	$ 12,600	9.143
Central Soya	700	.60	—0—	10,325	4.068
Central Telephone	600	1.36	—0—	13,200	6.182
First Bank System	800	1.52	—0—	36,400	3.341
W.R. Grace	400	1.70	—0—	11,050	6.154
Kimberly Clark	500	1.80	—0—	21,313	4.223
Montana Power	200	1.80	—0—	4,900	7.347
Mountain States Tel. & Tel.	240	1.68	—0—	5,310	7.593
Nicor	400	2.12	—0—	9,650	8.788
Pacific Power & Light	330	1.80	—0—	6,806	9.000
RCA	1,600	1.00	—0—	46,400	3.448
Transamerica	1,100	.62	—0—	12,100	5.636
Transco Companies	424	.80	—0—	5,777	5.872
Westinghouse	600	.97	—0—	10,425	5.583
TOTAL	8,794		$ —0—	$ 206,256	
TOTAL INVESTMENTS			$ —0—	$ 222,978	

*Market Yield

DIXON ENDOWMENT FUND

	SHARES	DIVIDEND	COST	MARKET VALUE	% YIELD*
PREFERRED STOCK					
Montana Power No. 6 Series Shares	640	6.000	$ —0—	$ 39,680	9.677
TOTAL INVESTMENTS			$ —0—	$ 39,680	

*Market Yield

NORTHERN MONTANA COLLEGE 1960 SERIES B RESERVE FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
FEDERAL AGENCIES						
Federal Land Banks	$ 10	5.375	07-20-76	$ 9,999	$ 9,975	5.584
Federal Land Banks	14	5.000	01-22-79	13,907	13,265	5.351
TOTAL INVESTMENTS	$ 24			$ 23,906	$ 23,240	

EASTERN MONTANA COLLEGE TRUST FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
U.S. TREASURY						
U.S. Treasury Bills	$ 60	0.000	07-01-76	$ 58,796	$ 58,796	4.950
U.S. Treasury Bills	40	0.000	07-27-76	38,626	38,626	5.700
U.S. Treasury Bills	40	0.000	09-30-76	39,421	39,421	5.370
U.S. Treasury Notes	150	6.750	05-31-77	149,940	150,328	6.390
U.S. Treasury Notes	30	6.500	06-30-77	30,037	29,991	6.370
U.S. Treasury Notes	50	7.500	07-31-77	49,829	50,500	7.840
TOTAL INVESTMENTS	$ 370			$ 366,649	$ 367,662	

MONTANA STATE UNIVERSITY PHYSICAL EDUCATION FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
U.S. TREASURY						
U.S. Treasury Bills	$ 25	0.000	10-21-76	$ 24,350	$ 24,350	5.170
TOTAL INVESTMENTS	$ 25			$ 24,350	$ 24,350	

MONTANA STATE UNIVERSITY CURRENT RESTRICTED FUND

CERTIFICATES OF DEPOSIT	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
Western Montana National Bank-Missoula	$ 150	6.000	12-14-76	$ 150,000	$ 150,000	6.000
TOTAL	$ 150			$ 150,000	$ 150,000	
SHORT TERM INVESTMENT POOL	$ 35			$ 35,328	$ 35,328	
TOTAL INVESTMENTS	$ 185			$ 185,328	$ 185,328	

MONTANA STATE UNIVERSITY NACUBO FUND

CERTIFICATES OF DEPOSIT	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
Western Montana National Bank-Missoula	$ 45	6.000	12-14-76	$ 45,000	$ 45,000	6.000
TOTAL	$ 45			$ 45,000	$ 45,000	
SHORT TERM INVESTMENT POOL	$ 267			$ 266,648	$ 266,648	
TOTAL INVESTMENTS	$ 312			$ 311,648	$ 311,648	

MONTANA STATE UNIVERSITY CURRENT DESIGNATED FUND

CERTIFICATES OF DEPOSIT	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
Western Montana National Bank-Missoula	$ 5	6.000	12-14-76	$ 5,000	$ 5,000	6.000
TOTAL INVESTMENTS	$ 5			$ 5,000	$ 5,000	

LIVESTOCK COMMISSION FUND

GOVERNMENT OBLIGATIONS	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
FEDERAL AGENCIES						
Federal Land Banks	$ 60	5.375	07-20-76	$ 59,997	$ 59,850	5.321
Federal Land Banks	30	5.125	04-20-78	29,689	28,890	5.631
Federal Land Banks	30	5.000	01-22-79	29,429	26,425	6.597
Federal Land Banks	30	5.000	01-22-79	29,048	28,425	5.936
TOTAL	$ 150			$ 148,163	$ 143,590	
SHORT TERM INVESTMENT POOL	$ 172			$ 172,115	$ 172,115	
TOTAL INVESTMENTS	$ 322			$ 320,278	$ 317,615	

WATER WELL FUND

GOVERNMENT OBLIGATIONS	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
U.S. TREASURY						
U.S. Treasury Notes	$ 8	7.750	08-15-77	$ 8,000	$ 8,100	7.750
TOTAL INVESTMENTS	$ 8			$ 8,000	$ 8,100	

COSMETOLOGY FUND

GOVERNMENT OBLIGATIONS	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
FEDERAL AGENCIES						
Federal Land Banks	$ 5	5.125	04-20-78	$ 4,932	$ 4,800	6.142
TOTAL INVESTMENTS	$ 5			$ 4,932	$ 4,800	

RESOURCE INDEMNITY FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
FEDERAL AGENCIES						
F.N.M.A.	$ 250	9.700	09-10-81	$ 250,000	$ 269,063	9.700
TOTAL	$ 250			$ 250,000	$ 269,063	
CANADIAN OBLIGATIONS						
Manitoba Hydro Electric	$ 200	9.250	01-15-06	$ 198,029	$ 197,000	9.350
Quebec Hydro Electric	100	10.250	01-15-05	100,000	105,000	10.250
TOTAL	$ 300			$ 298,029	$ 302,000	
CORPORATE OBLIGATIONS						
FINANCIAL						
General Electric Credit	$ 500	8.875	06-01-82	$ 500,000	$ 498,750	8.875
General Motors Acceptance	350	8.875	06-01-99	348,795	357,000	8.910
Manufacturers Hanover	500	8.375	12-01-82	500,000	503,125	8.375
TOTAL	$ 1,350			$ 1,348,795	$ 1,358,875	
INDUSTRIAL						
Continental Oil	$ 500	8.875	06-01-01	$ 498,754	$ 506,250	8.900
Ingersoll Rand	200	8.750	05-01-85	199,470	193,000	8.796
Kerr McGee	300	8.000	07-01-83	298,359	301,875	8.112
Kerr McGee	500	8.500	06-01-06	496,255	497,500	8.570
Sears & Roebuck	300	8.000	04-01-06	299,254	291,000	8.020
Sybron	500	9.125	05-01-85	500,000	511,250	9.125
TOTAL	$ 2,300			$ 2,292,092	$ 2,300,875	
PUBLIC UTILITIES						
Northern Natural Gas	$ 500	9.000	05-01-85	$ 497,783	$ 519,375	9.076
TOTAL	$ 500			$ 497,783	$ 519,375	
SHORT TERM INVESTMENT POOL	$ 855			$ 855,322	$ 855,322	
TOTAL INVESTMENTS	$ 5,555			$ 5,542,021	$ 5,605,510	

TEACHERS' RETIREMENT FULLAM FUND

	PAR VALUE	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	% YIELD*
CORPORATE OBLIGATIONS						
CONVERTIBLE						
Avco Financial	$ 1,800	5.500	11-30-93	$ —0—	$ 1,044	10.948
TOTAL	$ 1,800			$ —0—	$ 1,044	
COMMON STOCK	**SHARES**	**DIVIDEND**				
American Express	105	.80		$ —0—	$ 3,833	2.192
Bank of America	62	1.56		—0—	3,488	2.773
Iowa Public Service	63	1.72		—0—	1,213	8.935
Mississippi Valley Gas	45	1.28		—0—	574	10.039
Montana Power	75	1.80		—0—	1,838	7.347
George Putnam Fund	6	.50		—0—	82	3.652
Southern California Edison	117	1.68		—0—	2,296	8.561
Southern Union Gas	78	1.76		—0—	2,720	5.047
Technology Fund	19	0-12		—0—	144	1.581
U.S. Steel	55	2.20		—0—	2,984	4.055
TOTAL	625	Shares		$ —0—	$ 19,172	
SHORT TERM INVESTMENT POOL	$ 1,013			$ 1,013	$ 1,013	
TOTAL INVESTMENTS	$ 2,813			$ 1,013	$ 21,229	

*MARKET YIELD

TRUST CONTRACTORS' LICENSE FUND

	PAR VALUE (000)	INTEREST RATE	MATURITY DATE	COST	MARKET VALUE	YIELD
GOVERNMENT OBLIGATIONS						
U.S. TREASURY						
U.S. Treasury Bills	$ 1,700	0.000	02-08-77	$ 1,606,922	$ 1,606,922	5.460
U.S. Treasury Bills	2,130	0.000	05-03-77	2,004,472	2,004,472	6.240
TOTAL INVESTMENTS	$ 3,830			$ 3,611,394	$ 3,611,394	

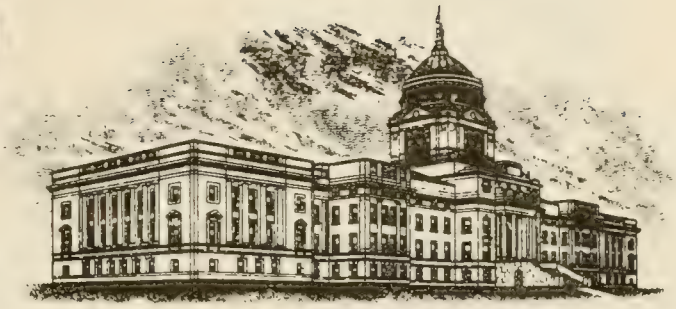
SHORT TERM INVESTMENT POOL*

	PAR VALUE	COST	MARKET VALUE
Highway Complex Headquarters Fund	$ 7,317,684	$ 7,317,684	$ 7,317,684
Common School Interest & Income Fund	5,548,001	5,548,001	5,548,001
Local Impact Fund	3,702,875	3,702,875	3,702,875
Federal Revenue Sharing—Capitol Const. Fund	2,540,732	2,540,732	2,540,732
Educational Trust Fund	2,174,008	2,174,008	2,174,008
Land & Resource Development Fund	679,294	679,294	679,294
Experiment Station Fund	622,110	622,110	622,110
Renewable Resources Dev. Fund	557,697	557,697	557,697
M.C.M.S.T. Unexpended Plant Fund	319,541	319,541	319,541
Coal Tax Park Fund	278,150	278,150	278,150
E.M.C. Current Designated Fund	253,283	253,283	253,283
AES Restricted Fund	189,053	189,053	189,053
Montana Rural Rehab. Fund	172,793	172,793	172,793
M.S.U. Endowment Fund	153,843	153,843	153,843
M.S.U. Auxiliary Enterprises Fund	141,555	141,555	141,555
M.C.M.S.T. Current Restricted Fund	117,473	117,473	117,473
E.M.C. Nacubo Agency Fund	109,215	109,215	109,215
U.M. Fund to Retire Indebt.	100,293	100,293	100,293
M.C.M.S.T. Endowment Fund	93,387	93,387	93,387
M.C.M.S.T. Loan Fund	92,299	92,299	92,299
Donable Property Fund	83,370	83,370	83,370
Livestock Board—Emergency Fund	83,061	83,061	83,061
Wheat Research Fund	79,798	79,798	79,798
N.M.C. Nacubo Fund	68,406	68,406	68,406
Oil & Gas Fund	47,957	47,957	47,957
M.C.M.S.T. Agency Fund	30,680	30,680	30,680
M.S.U. Unexpended Plant Fund	29,416	29,416	29,416
N.M.C. Current Designated Student Fund	29,118	29,118	29,118
No. Mt. Branch Station Fund	28,375	28,375	28,375
E.M.C. Auxiliary Enterprises Fund	27,258	27,258	27,258
M.C.M.S.T. Auxiliary Enterprises Fund	18,310	18,310	18,310
Experiment Station—Fertilizer Fund	18,268	18,268	18,268
M.C.M.S.T. Current Designated Fund	14,193	14,193	14,193
Water & Waste Water Fund	14,097	14,097	14,097
N.M.C. Endowment Fund	5,025	5,025	5,025
Experiment Station—Agriculture Fund	3,033	3,033	3,033
N.M.C. Fund to Retire Indebt.	2,034	2,034	2,034
Sanitarians Registration Fund	2,015	2,015	2,015
N.M.C. Current Restricted Fund	1,005	1,005	1,005
	$ 25,748,705	$ 25,748,705	$ 25,748,705

*Funds which have their total resources invested in S.T.I.P.

AGENCY REPLY

STATE OF MONTANA
DEPARTMENT OF ADMINISTRATION
BOARD OF INVESTMENTS



ROOM 236, MITCHELL BUILDING
HELENA, MONTANA 59601
(406) 449-2656

January 4, 1977

RECEIVED
JAN 5 1977
MONTANA LEGISLATIVE AUDITOR

Mr. Morris Brusett
Legislative Auditor
Room 135, State Capitol
Helena, Montana 59601

Dear Mr. Brusett:

The following is the Board of Investments' and the Department of Administration's reply to your audit report of the fiscal year ending June 30, 1976.

RECOMMENDATION, Page 7

WE RECOMMEND THE BOARD OF INVESTMENTS COMPLY WITH ALL INVESTMENT PURCHASE STATUTORY REQUIREMENTS.

We concur.

RECOMMENDATION, Page 9

WE RECOMMEND THE DEPARTMENT OF ADMINISTRATION PROVIDE FOR A PROFESSIONALLY DESIGNED STANDARD REPORTING PACKET TO BE USED FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND ANNUAL REPORT AND, IN LIGHT OF THE GROWTH IN THE SIZE AND ACTIVITY OF THE INVESTMENT PORTFOLIO AND THE CONTINUING EMPHASIS PLACED ON MORE MEANINGFUL FINANCIAL STATEMENTS AND ANNUAL REPORT INFORMATION, CONSIDERATION BE GIVEN TO THE ADEQUACY AND SIZE OF THE INVESTMENT DIVISION ACCOUNTING STAFF.

We concur. The investment staff is continually striving to improve its operation and reporting methods.

RECOMMENDATION, Page 10

WE HAVE SUBMITTED TO THE INVESTMENT DIVISION, UNDER SEPARATE COVER, A LETTER DETAILING MANY OF THE MINOR ERRORS WHICH WERE ENCOUNTERED IN OUR WORK AND RECOMMEND THAT APPROPRIATE ACTION BE TAKEN TO CORRECT SUCH ERRORS.

We concur.

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION REVIEW MORE CLOSELY THE DETERMINATION OF YIELD FIGURES SO THAT THEY ARE REPORTED CORRECTLY

IN THE BOARD OF INVESTMENTS' ANNUAL REPORT.

We concur.

RECOMMENDATION, Page 11

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION REVIEW THE COMMENTS AND RECOMMENDATIONS WE SUBMITTED TO THE INVESTMENT DIVISION BY SEPARATE LETTER REGARDING POSSIBLE FORMAT AND/OR WORDING CHANGES AND THAT THE DEPARTMENT OF ADMINISTRATION INCLUDE THE AUDITORS' OPINION IN THE ANNUAL REPORT FOR THE BENEFIT OF FINANCIAL STATEMENT USERS.

We concur. However, the inclusion of the auditors' opinion in the annual report would require a timely audit following the close of the fiscal year.

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION ACCOUNTING DIVISION REVIEW INVESTMENT DIVISION FINANCIAL INFORMATION MORE CAREFULLY PRIOR TO PRINTING SUCH REPORTS.

We concur.

RECOMMENDATION, Page 12

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION REQUIRE THE RESPECTIVE AGENCIES TO PROPERLY ACCOUNT FOR MORTGAGE LOANS PURCHASED IN THE INTERIM PERIOD UNTIL THE INVESTMENT DIVISION IS ABLE TO ASSUME THAT RESPONSIBILITY. THIS ACCOUNTING SHOULD BE PERFORMED TO INVESTMENT DIVISION SPECIFICATIONS. ALSO, WE RECOMMEND THAT A FORMAL EFFORT BE MADE BY THE RESPONSIBLE ENTITY TO REQUIRE COMPLIANCE OF THE SERVICING AGENT.

We concur. The current schedule calls for a data mortgage accounting system to be implemented in June, 1977. Until the system is operational, it is the responsibility of the individual agency owning the mortgage to assume the accounting responsibility.

RECOMMENDATION, Page 13

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION REVIEW THE ADEQUACY OF FIDELITY BOND COVERAGE FOR INVESTMENT DIVISION PERSONNEL AND CONSIDER THE COST AND BENEFITS OF ADDITIONAL COVERAGE.

We concur.

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION IDENTIFY THE PMS REPORTS THAT REQUIRE PROGRAMMING CHANGES AND TESTING TO MAKE THEM RELIABLE MANAGEMENT TOOLS. SHOULD THESE REPORTS APPEAR TO BE USEFUL MANAGEMENT TOOLS, DATA PROCESSING PERSONNEL SHOULD BE MADE AVAILABLE TO MAKE THE NECESSARY CHANGES.

We concur. Scheduling of the recommended changes must be considered along with other major projects that are in progress.

RECOMMENDATION, Page 14

WE RECOMMEND THE BOARD OF INVESTMENTS DEVELOP A FORMAL AGREEMENT TO PARTICIPATE IN THE SHORT-TERM INVESTMENT POOL, MUCH AS OTHER STATES HAVE DONE, AND THAT THEY REQUEST ALL UNIT HOLDERS SIGN THIS AGREEMENT TO PARTICIPATE. THIS AGREEMENT SHOULD ADVISE THE UNIT HOLDERS OF THE REQUIREMENTS UNDER THE LAW REGARDING ELIGIBILITY OF PARTICIPATION. ALSO, AFTER THE FORMAL AGREEMENT HAS BEEN SIGNED, THE UNIT HOLDERS SHOULD BE CONTACTED PERIODICALLY REGARDING ELIGIBILITY.

We concur. An agreeable forum has been devised and will be implemented.

WE RECOMMEND THAT SINCE THE HANDLING OF THE GAIN OR LOSS ON SECURITY SWAPS OF STIP INVESTMENTS IS DIFFERENT FROM THE BOARD OF INVESTMENTS, EXCLUDING STIP, THAT THIS ACCOUNTING POLICY BE DISCLOSED IN THE FOOTNOTES TO THE FINANCIAL STATEMENTS AND THE POLICY FOR PREMIUMS AND DISCOUNTS SHOULD BE DISCLOSED.

We concur.

RECOMMENDATION, Page 15

SINCE THE STIP CLERK HAS FEW CHECKS ON THE RECORDS AND CALCULATIONS THESE RECONCILIATIONS SHOULD BE FORMALIZED, MAINTAINED AND REVIEWED PERIODICALLY BY AN INVESTMENT DIVISION ACCOUNTANT.

We concur.

AS RECOMMENDED IN LAST YEAR'S REPORT, WE AGAIN RECOMMEND THAT THE INVESTMENT DIVISION REQUIRE THE DATA PROCESSING CAPABILITIES TO PERFORM THIS WORK.

We concur. Work will commence this fiscal year on a data processing system.

Sincerely,

James R. Howeth
James R. Howeth
Investment Officer

Jack C. Crosser
Jack C. Crosser
Director, Department of Administration